

# STRATEGIC ESTIMATE 2016



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***“....The transfer of global wealth and economic power now under way, roughly from West to East” and “without precedent in modern history,” as the primary factor in the decline of the “United States' relative strength—even in the military realm”***

US National Intelligence Council, Global Trends 2025

# Introduction

*Strategic Estimate 2016* is Khilafah.com's sixth annual assessment of the global balance of power. We concluded our assessment at the end of 2014 with the US remaining the world superpower and navigating the myriad of challenges it faced across the world with Syria a key foreign policy challenge.

Anyone would be forgiven for assuming World War 3 was taking place as Syria as throughout 2015 the artificially created nation at the heart of the Middle East occupied the attention of the world's powers and the regional powers. Whilst the Arab Spring has been reversed in many countries, with much of the pre-revolutionary governments back in power and with other nations marred in civil war, Syria remains the only nation upon its original aim of toppling the regime and replacing it with something in line with the people's values. In *Strategic Estimate 2016* we assess where matters stand, the emerging trends and why the outcome in Syria is so important to so many countries around the world.

The world's superpower was occupied by events in the Middle East in 2015. In Iraq it became patently clear the Iraqi government in Baghdad is built upon a pack of cards and its ability to force itself upon the rest of the country is non-existent. The US spent over a decade building the architecture in Iraq that would allow it to dominate the region. The Baghdad government lost Ramadi, Tikrit and Falluja in 2015 despite immense US military aid and presence. Similarly in Syria US plans to build a secular moderate opposition and the failure of its 'train-and-equip' program are just some examples of the challenges the US is facing in Syria. US plans for both countries, why they are failing and the regional implications will be assessed. In 2016 the US Caucus will be in full swing for the election of the US president in November 2016. Barack Hussain Obama back in 2008, on the back of an immensely popular 'It's time for change' and 'Yes We Can' campaign captured the imagination of the world as America's first black president. But his term in office was anything but easy and he leaves office with many US citizens considering him to have weakened America's global position. In *Strategic Estimate 2016*, we assess Obama's term in office and what it reveals about the US system and what the new president will inherit.

2015 has been a difficult year for Russia. Russia's invasion of Ukraine and subsequent annexation of Crimea remains frozen. But Russian difficulties have been at home rather than abroad. When oil prices halved in 2014 this precipitated an economic crisis which has continued into 2015. Capital flight, budget deficits and sharp reductions in foreign investment is seriously hurting the Russian economy. But Russia surprised many with its invasion of Syria in October 2015, its first foreign policy adventure beyond its region since the collapse of the Soviet Union over two decades ago. In *Strategic Estimate 2016* we analyze the political implications of this and whether this is the beginning of a new assertive Russia challenging the global superpower or just a temporary, one-off adventure.

In 2015 China continued with its colossal economic transformation, but its attempt to transition from a low wage and aggressive export economy to one based on domestic consumption nearly had the carpet pulled underneath it when major stock market crashes resulted in huge state intervention to



prop them up. In *Strategic Estimate 2016*, we assess the implication of this and where the economic transformation stands. Chinese policy makers published the country's military white paper which defined China's military orientation for the future. China's military ascent is an important aspect of Chinese plans to dominate the region and its future role in the world. In *Strategic Estimate 2016* we assess the white paper and its implications. Two announcements by Chinese officials in 2015 will impact China's global ambitions, its announcement of the end of the three decades long one child policy and the development of the Asian Infrastructure Investment Bank (AIIB), a direct challenge to the Bretton Woods institutes. In *Strategic Estimate 2016*, we assess the implications of both developments on China's place in the world.

The economic crisis continued throughout the European Union in 2015 and differences between EU states on the future of the union continued. The migration crisis from North Africa, the biggest since WW2 dominated the European continent and highlighted two trends that we have been following for some time. The resurgence of Germany at the centre of Europe and the divisions between the nations within the EU. The migration crisis revealed these further and will have serious implication for the future of Europe.

The global economy reached its 8<sup>th</sup> year of the global economic crisis that began in 2007. But the world's largest economies – the US and China both struggled to grow in 2015. The effects of the economic crisis still weigh heavily upon the global economy and the world's premier countries continue in their struggle to generate economic growth. In *Strategic Estimate 2016*, we assess the state of the global economy.

*Strategic Estimate* analyses the global balance of power and its constituent parts as well as the factors that can effect it. As an annual publication, we usually focus on factors within an annual cycle and in the short to medium term-that affect the global situation. Many of you have written to us and asked about our views on the longer term trends – over a century, and the effect this will have on the global situation. In *Strategic Estimate 2016*, we look at key strategic trends which will take shape over the next century as well as their implications.

What follows' *inshallah* is the author's opinion and assessment of 2015 and the trends for 2016 and beyond. Like any assessment, they are estimates and forecasts.

Adnan Khan  
13 Rabi Al-thani 1437 AH  
23 January 2016 CE

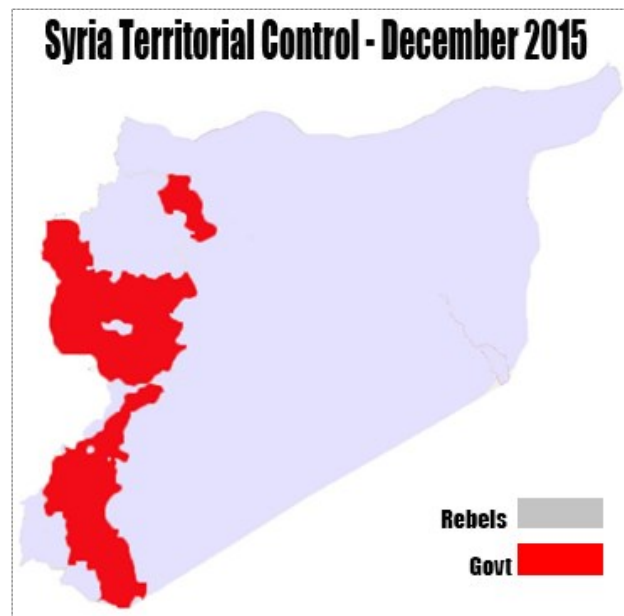
# Syria

Throughout 2015 the world's powers, led by the US, continued in their attempts to halt real change in Syria. Like previous years an assortment of conferences, summits and meetings took place with numerous actors with an interest in the outcome of Syria. The outcome of these meetings has been the same as previous years, too. US Secretary of State John Kerry and Russian Foreign Minister Sergey Lavrov had numerous meetings to discuss the details of a transition in Syria. On some occasions, other nations were also invited and these were called summits, on other occasions ministerial level figures joined them in Geneva, Vienna, Moscow or Washington, but nothing substantial came from these meetings. State Department spokesman John Kirby told reporters in October 2015 regarding an increase in meetings over Syria: *"There are going to be more of these discussions as there needs to be, while each one on its own is important, as the next one will be, there will be one after that, and probably one after that, and who knows how many more until we really reach the ultimate goal here."*<sup>1</sup>

In 2015 it became very clear the Bashar al-Assad's regime was struggling in the battle for Syria. Al-Assad's regime struggled to starve off rebel advances due to chronic structural problems. IHS Jane's Information Group confirmed in August 2015 that the al-Assad regime controlled a mere 17% of Syrian territory (although the majority of population is within this area), whilst the rebels had seized 83% of the country. So Bashar al-Assad controlled an area the size of Belgium.

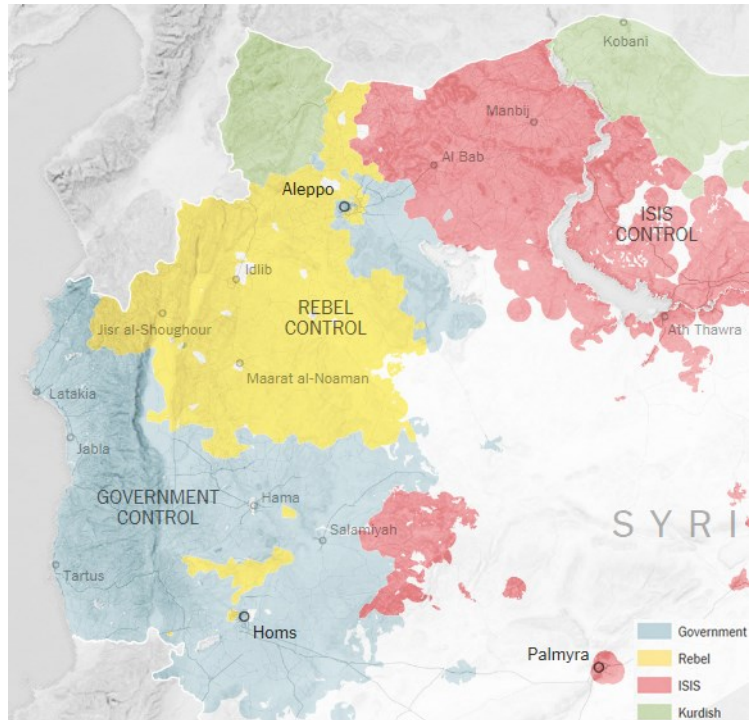
Bashar al-Assad's defeats in Idlib, eastern Homs and Deraa, combined with renewed pressure in Aleppo and Deir el-Zour and the loss of gas fields to ISIS, left the regime in a desperate position as it lost most of the country, with many considering the regime was on its last legs. Al-Assad's army is no longer capable of large-scale ground operations and is unable to win large areas of territory quickly. Bashar al-Assad has been left focusing on shoring up defence of the capital city Damascus and a strip of territory along the Mediterranean coast. His strategy has been to defend the Alawi heartland. Beyond this area the regime has all but given up defending the remainder of the country as it no longer has the forces to even make a challenge for territories further from Damascus. In June 2015 Charles Lister, a visiting fellow at the Brookings Doha Centre thinktank told the UK's Guardian: *"This is definitely the most strategically weak position the regime has found itself in since early 2013. What seems to be happening is a redrawing of the power map in Syria, with the regime seemingly more willing to cede territory outside of its most critically valuable zones."*<sup>2</sup>

Hezbollah, like the Syrian regime also suffered large losses and its intervention in Syria in 2015 became increasingly unpopular among Hezbollah members and even more unpopular with the



Lebanese in general. Hezbollah leaders had been warning Iran that Hezbollah operations in Syria were causing serious damage to the unity and effectiveness of group in general. Once it became clear Russia would be intervening in Syria the groups leadership announced those fighting alongside Syrian troops would shift to a defensive posture. Bashar al-Assad was informed by the group's leadership in August 2015 that it will no longer help him with offensives against rebel groups and confine its participation to fighting Syrian rebels, especially al Qaeda and ISIS attempts to get into Lebanon.

The regime lost the northwestern capital of Idlib, which has the same name as the province and has seen the regime struggling to reverse this throughout 2015. Rebel forces in March 2015 scored a major victory over the forces of Bashar al-Assad removing the regime from a second provincial capital, this was arguably the biggest rebel victory since the fall of al-Raqqah in March 2013. Despite differences between the rebel groups, these differences were put aside as they established an operations room, a cohesive plan of attack, and ultimately executed the plan. The assault on the provincial capital included the use of multiple vehicle-borne improvised



explosives to target key parts of the city's outer ring; it then went on to include multi-directional attacks to exploit the gaps the bombings created in the regime's positions. This was a complex strategy that ultimately cut through the regime's entrenched position in the city. The leadership of this successful operation was handed to Dr. Abdullah Muhaysinee, the Saudi born and educated cleric who can be found seemingly at most of the major battle fronts. His leadership was respected but rarely was the leadership of the different groups in the hands of an islamically educated commander. This attack showed rebel groups have become competent in the use of heavy weaponry and complex multifaceted operations. Armored vehicles that were earlier seized from government bases were combined with tanks into larger armored formations to carry out aggressive attacks with close infantry support. These tactics in addition to the effective use of artillery fire and vehicle-borne improvised explosive devices were central to rebel success against well-defended enemy positions. The days have gone where such armored vehicles were used for defensive operations but now they are being used by multiple groups in complex operations for offensive strikes. Due to problems in replenishing munitions and weapons platforms, al-Assad's forces were able to score a number of victories by bleeding the rebels into stalemates that required tactical withdrawals. But with the regime having to battle across the length and breadth of the country it has struggled with this strategy when rebel groups have concentrated forces for offensive operations.

An interesting aspect after the Idlib victory was the numerous reports of assistance provided to the rebel forces from ordinary Syrians during the fight in Idlib. Many families, for various reasons, stayed behind in their homes while the fighting was intense. The rebel groups seemed to be welcomed by

the people on the heels of their victory. Immediately the rebel leadership announced that the non-Muslim inhabitants will not be required to pay Jizya (a tax that is paid by non-Muslims), as the rebel leadership cannot currently guarantee security. This is in stark contrast to reports of ISIS demanding Jizya immediately from their residents, detaining the women and taking some of them as slaves and making a slaughter in the town square on the heels of their successes and broadcasting it on youtube.

This victory spurred on the rebel forces to take the remainder of the Idlib province and launch attacks on north-west Hama and launch attacks on Latakia due to taking parts of the Sahl al-Ghab plain. The villages and towns across this belt have been lost and won multiple times by the rebels, but with the shrinkage in Assad's army, the regime has struggled to maintain the occupation of the villages that it gained back.

### **Bashar's army in decline**



Al-Assad's military was his trump card in the conflict. It allowed the regime to lay sieges on towns, conduct massacres and conduct air attacks. Syrian bombs and missiles not only killed tens of thousands of civilians, but also helped ground forces take most of decimated cities like Homs. Hezbollah's intervention supported the recapture of territory near the Lebanese border and the Qalamoun region north of Damascus. Iranian-trained Syrian militia filled in the gaps of a weakened Army as the war turned from months to years. The "Starve or surrender" sieges near the capital forced some opposition forces to cease fire.

As the war dragged on the Syrian military capability declined significantly due to deaths, defections and military defeats. By some estimates the army has shrunk from an original 300,000 personnel to 150,000 today. The military situation was so bad Bashar al-Assad had no choice but to address this with his Alawite supporters. The Syrian president acknowledged that his regime has suffered significant military defeats. In a speech in Damascus in May 2015, al-Assad for the first time replaced his "victory" rhetoric with a more sober assessment: *"Today we are fighting a war, not a battle. War is not one battle, but a series of many battles. It is the nature of battles there will be advances and retreats, victories and losses, ups and downs."*<sup>3</sup> At the end of July 2015 Bashar al-Assad publicly acknowledged that he could no longer hold onto all of Syria because he physically no longer possessed the necessary troop numbers.<sup>4</sup>

Bashar can only win in the long-term if he has enough reliable soldiers and local support. The Syrian air force can retaliate for loss of territory, as they have done with Idlib and Jisr al-Shughour with barrel bombs, chemical weapons and indiscriminate bombing raids. However, bombings alone cannot reclaim territory. In 2015 it became clear the Syrian military was having problems putting enough men on the battlefield. Hezbollah, after suffering losses, refused to provide fighters and Iran became more occupied and focused on maintaining its position in Iraq with the government unable to maintain basic security beyond Baghdad.

The structural problems al-Assad faces is replenishing his armed forces in this battle of attrition. Bashar al-Assad's support base at most is 12% of the population, for every soldier that defects, dies and losses a limb and therefore cannot fight needs to be replaced from his extremely small support base. The longer the war goes on, this support base will only shrink at a faster rate. This problem was originally dealt with through the creation of the National Defence Force (NDF) to fill in the cracks in the army, then al-Assad needed Hizbullah and then the Islamic Revolutionary Guard Corps (IRGC) from Iran. As the army lost more personnel it resorted to Iraqi Shi'ah militias and then Afghan Shi'ah mercenaries to support to fill the cracks. The common issue throughout the whole conflict and the future is Bashar will always need help to fill the cracks in his army, which is constantly shrinking. The Druze community have stepped away from the regime and are no longer willing for their young men to leave their region in Syria – Suweida, to fight across Syrian territory for the al-Assad regime. On top of all this, the Alawi community has been exhausted, there are fewer and fewer men left who can fight. As matters stand there just are not enough troops to complement Assad's air superiority and take back territory. This is why it has always needed external support, and will need this for the foreseeable future to survive.

Bashar al-Assad's regime is crumbling after facing-off for 4 years against the rebel forces across the length and breadth of the country. Bashar al-Assad lacks the capability to win back the whole country. Bashar long gave up in reclaiming the north of the country and the east of the country, which is largely unpopulated. What has allowed the regime to continue has been the external support it has received. Iran immediately helped al-Assad with economic aid, sent its senior Islamic Revolutionary Guard Corps along with Hezbollah. Russia continued providing al-Assad with munitions and spare parts for the Syrian army, but none of this has been able to break the back of the rebel forces and al-Assad had to accept a war of attrition at best. This meant despite all the resources, military equipment and air superiority and despite possessing a degree of capability well beyond the enemy the regime was fighting, ultimately it has failed to defeat them. As far as Bashar al-Assad is concerned the intervention by Russia in October 2015 came in the nick of time as his army was struggling to maintain an area the size of Belgium.

## **Rebels**

The rebel strength has been in their ability to continually bleed the regime through forcing them to fight for territory and then overstretching them.

To a large degree, it is somewhat of a miracle that an insurgent force has survived after 4 years fighting an army which outnumbers it, who not only has more of every category of weapons but has heavy weapons that are not available to the rebel groups. Much of the rebel focus has been internal in facing off against the regime at the expense of any external call or message. The rebel groups have not made a call to the Muslim armies in the region or a call to the rulers to fulfil their obligation to the oppressed. This would be quite unique and create public opinion against the rulers who currently are more interested in implementing the western agenda rather than sending in their armed forces that would make the difference. Bashar and the rest of the world has been shocked at the adaptability of the rebel forces who continue to bleed the al-Assad regime after so many years. However, in order for the rebels to succeed they will need to plan for a long and protracted battle that would bleed the regime to death.



## Real Change

In March 2016 it will be five years since the uprising in Syria began. The Syrian uprising has all the world and regional powers involved who all have an interest in the outcome. The question remains why a small, artificial nation in the Levant is of such importance to the world. The Islamic nature of the uprising is what has worried the regional and global powers. Walid Al-Moallem in a press conference in June 2013 confirmed what was at stake in the country and the region, he said: *"We know that those who plan evil for Syria and those who demand the establishment of the Islamic Khilafah state will not stop at the borders of Syria. So what we are currently doing is even defending Jordan, Lebanon and Turkey."*<sup>5</sup> The Syrian regime and the West under the cover of terrorism and ISIS all know what the implications are if the regime in Damascus falls.

Russia's Foreign Minister confirmed what Russia's intention was when it intervened in Syria in October 2015. Despite the ISIS Khilafah, Russia recognised the ISIS Khilafah was not the true Khilafah, *"We believe that such a composition of outside sponsors acting in a united way are in a position to assist Syrians in reaching agreement based on common objectives to prevent the creation of an extremist caliphate."*<sup>6</sup>

Unlike the other Arab Spring nations, who if not in civil war have all gone back to the pre-Arab spring governments and systems, in Syria the Islamic aspect has remained strong and this is the real fear of the West in terms of the impact this is already having across the Muslim world and the implications if the Ummah were to succeed. After loathing al-Assad for so many years, politicians of the Jewish state are falling over themselves to maintain Bashar al-Assad. The Haaretz Newspaper reported in early 2013, quoting a Jewish state's intelligence official: *"Better the devil we know than the demons we can only imagine if Syria falls into chaos, and the extremists from across the Arab world gain a foothold there."*

All the stakeholders are very clear on what is taking place in Syria and what the implications are if the people succeed. They are clear that the people are working for real change in Syria which includes the overthrow of the regime and its replacement with a government which will be heavily Islamic, in line with the people's values. This constantly worries the regional governments as they know this will have implications well beyond Syria and threaten their secular governments. This is why they all have in reality propped up Bashar al-Assad by doing little physical actions against him and hidden this behind lots of rhetoric such as ISIS and terrorism. But the longer this battle in Syria continues it works to the strength of the people of Syria as the regime will have to constantly find new soldiers and fighters from a support base that doesn't want to send its sons to go and die. If another few years pass Bashar's regime will be weaker than it is today and the West may consider a military intervention as the only viable alternative to put to an end to the Syrian uprising. But this would be to the rebel's strength as they have shown that they are formidable opponents in insurgent tactics, which has bled the Syrian army dry.

# USA

We concluded our assessment of the US at the end of 2014 that the US remained the world's superpower and the nation all the other powers compete with. Despite a decade of war which consumed the US, US officials have continued working towards successfully navigating its myriad of challenges and continue to shape the world to serve its interests. In 2015 it was Syria that mostly consumed the US administrations attention.

## **Syria: Pandora's Box**

US President Barak Obama outlined in his State of the Union address in January 2015 that he didn't want to send a large ground force into Syria as the US did in Iraq but utilise the regional nations and other players to achieve its aims in Syria. The long wars in both Afghanistan and Iraq has left the US public with little stomach for another protracted war. So the US strategy through Obama's tenure has been to utilise the Muslims in the region in order to achieve its aim of diluting the demands for real change. This is why, ever since the uprising began in 2011, the US has sent very limited military resources into Syria which has generally been directed at limited fighting, training and carrying out some air attacks.

America's political solution rested upon the Geneva 1 and Geneva 2 negotiations, where it gathered a number of individuals, who were mostly dissidents and they would be treated as representatives of the rebel forces and they would be viewed as the leaders of the opposition. Despite numerous meetings, conferences and summits these individuals who were initially the Syrian National Council, then the Syria National Coalition and today its title has expanded to the National Coalition for Syrian Revolutionary and Opposition Forces. This opposition has been trying to act as a transitional government, with government posts distributed amongst its various members. But this opposition has been a complete failure, as it in reality consists of individuals with absolutely no influence over anyone or any piece of Syria. The coalition has trotted around the world meeting US, British, French and Turkish officials, but they have no support, following or any respect by those who are bracing it out against the forces of al-Assad, as they travel around the world.

The Geneva negotiations are to end what the US calls the civil war, which requires the handpicked opposition to negotiate with the al-Assad regime. The terms of this agreement are to ensure a transitional government includes elements of the al-Assad regime. So the US plans to maintain the regime through its handpicked opposition going into government and sharing power with the al-Assad regime. This is one of the main reasons why this opposition has little credibility.

This strategy has not worked and the revolutionaries in Syria have continued their fight and made significant progress. To tackle this the US announced in early 2015 to directly train and equip forces fighting on the ground in Syria. The aim here was to halt the gains the rebel forces were making, in order to make negotiations, though the Geneva accords the better option and also to halt the revolutionary rebels who are working for real change. The train and equip program included training around 5000 rebel fighters. Turkey agreed to host the program as well as Saudi Arabia and Qatar. But

this new Syrian force was a disastrous failure, with two “classes” of rebels sent to Syria, numbering around 125 in all, and accomplishing nothing. The first class was 54 people, and were quickly routed by Jabhut al-Nusra.<sup>7</sup> Incredibly, that was probably less of a failure than the second class, which saw roughly 70 fighters show up in Syria from Turkey and more or less immediately give all their US-made weapons and vehicles to Jabhut al-Nusra.<sup>8</sup> The US was so embarrassed that the Pentagon insisted they’d never trained this second class.

With the US strategy of thwarting real change in Syria struggling to evolve the US had no problem with the Russian intervention in October 2015. US President Barack Obama explained at the UN meeting on 28 September 2015: *“The United States is prepared to work with any nation, including Russia and Iran, to resolve the conflict.”*<sup>9</sup> On 29 August new US-Syria envoy Michael Ratney met with Russian Deputy Foreign Minister Mikhail Bogdanov and other senior Russian officials in Moscow with UN envoy de Mistura and with Saudi Arabia’s al-Jubeir in Jeddah. This was in order to: *“continue discussions about working toward a genuine political transition and bringing an end to the devastating crisis in Syria,”* a State Department official confirmed. *“These meetings support Secretary Kerry’s engagement with his counterparts, as well as our regular engagement on and support for Special Envoy de Mistura’s efforts.”* The US state department confirmed the meeting in Moscow: is to *“work toward greater convergence of views among both foreign govts and the Syrians themselves on the political transition in Syria.”*<sup>10</sup>

With all these meetings between the US and Russia, Russia played a leading role in coming up with an initiative for Syria. In all the meetings in August Russia’s initiative is what all the various nations, officials and leaders discussed. Sergei Lavrov confirmed Russia’s proposal was that all anti-ISIS forces, including the Syrian army, the Iraqi army, and the Kurds, pool their efforts. *“They all must be united, and the regional players must use their influence with the groups on the ground to make such unification as efficient as possible,”* Lavrov said. *“Without pooling efforts of all those who confront terrorists on the ground, the US-led coalition’s airstrikes wouldn’t bring the desired results and the Islamic State wouldn’t be defeated.”*<sup>11</sup>

The aim of Russia’s intervention, which was in agreement with the US was to stop the rebel advance, push them back and then to impose its political solution, but Russia and the US underestimated the resolve of the rebels groups and it was in this climate US Secretary of Defence Ashton Carter confirmed in a Senate hearing on October 27th that the US will begin direct action on the ground Syria. *“We won’t hold back from supporting capable partners in opportunistic attacks against ISIL, or conducting such missions directly whether by strikes from the air or direct action on the ground. This is combat and things are complicated,”*<sup>12</sup> said Senator Ashton.

After constantly saying the US would not put ground troops in Syria, the US Secretary of Defence in parallel with Russia’s intervention confirmed their troops will now be going to Syria. Whilst Carter outlined US troops would advise and train troops, it was clear from Secretary Ashton’s comments that this was just the beginning of the escalation of US troops. An alternative opposition that pleases the US is not ready yet, but the US expected Russia to create the ground reality in Syria by weakening and punishing the rebel groups for not supporting the US plan. But Russia’s intervention quickly stalled and failed in this aim and the US then began the process of sending its Special Operation Forces, which will eventually see an escalation of further US troops over time.

After 4 years the US has struggled to build an opposition that could take leadership over the other sincere groups and hijack the uprising. So it should not be surprising that foreign intervention of the Russians was sought was needed to halt the direction matters in Syria were heading.

## Obama's Tenure

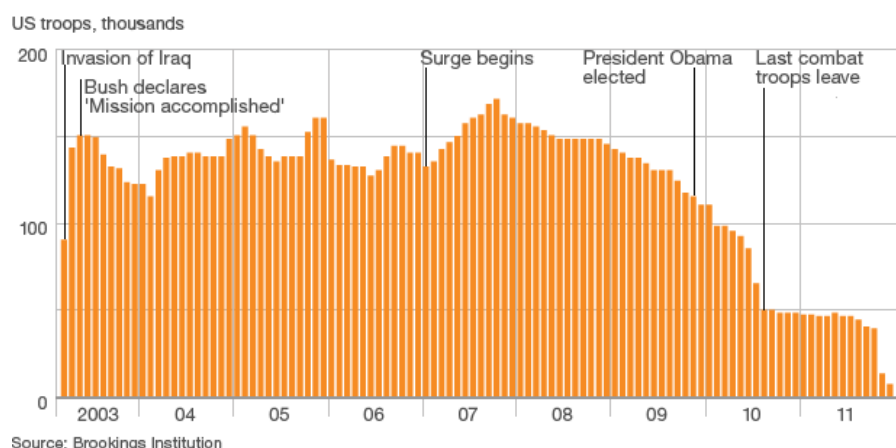
That freezing morning on January 20<sup>th</sup> 2009, when Obama took his oath, as the US president, he achieved something no other person of his race had ever done in the 232 year history of the United States. Obama become the first black man to take the oath of office and by doing so entered the history books as the 44<sup>th</sup> President of the United States. But this is all a distant memory now. When Obama took office, he promised wholesale change after a decade long war left the US public with battle fatigue. The US had been bled by the Afghan and Iraq wars and Obama would need to oversee the extrication of the US from these.



For all those across the world who were hoping for change, the reality has been proven once again that US presidents operate in a world of constraints and limitations and in the case of Obama the most remarkable aspect of his foreign policy was his consistency with the policies of former President George W. Bush. This is the only way to describe retaining Bush's Defence Secretary, Robert Gates and the explanation of running against the Iraq war and then appointing Hilary Clinton arch supporter of the Iraq war as his Secretary of State.

**Iraq** - During Bush's term, Obama voted against the Iraq war and this was a centrepiece of his presidential campaign. The centrepiece of his position was that the war was a mistake, and that he would end it. Obama argued that Bush's policies alienated US allies. He charged Bush with pursuing a unilateral foreign policy, alienating allies by failing to act in concert with them. In doing so, he maintained that the war in Iraq destroyed the international coalition the US needed to execute any war successfully. Obama further argued that Iraq was a distraction and that the major effort should be in Afghanistan.

US troop levels in Iraq - March 2003 to December 2011



Obama inherited Bush's plan that called for coalition forces to help create a viable Iraqi national military and security force that would maintain central government's authority and Iraq's territorial cohesion and integrity. In the meantime, the major



factions in Iraq would devise a regime in which all factions would participate and be satisfied that their factional interests protected. While this was going on, the US would systematically reduce its presence in Iraq by 2011, with only non-combat troops remaining.

Obama adopted the Bush administration's policy of a staged withdrawal linked to political stabilization and the development of the Iraqi security forces. While he tweaked the timeline on the withdrawal, the basic strategy remained intact. He even retained Bush's Defence Secretary, to oversee the withdrawal.

The security forces the US spent billions on were pushed aside in 2014 when ISIS took over Mosul, then Ramadi, Fallujah and most of the Anbar province. Were it not for the US intervention, again, the ineffective US constructed Bagdad government may very well have fallen. Despite running a campaign on bringing the troops home it is clear to everyone US troops will be in Iraq for a very long time in order to maintain the US created architecture. Despite what Obama always said, his rhetoric gave way to the raw facts that the US will have to maintain a substantial presence if it wants to keep Iraq within its sphere of influence.

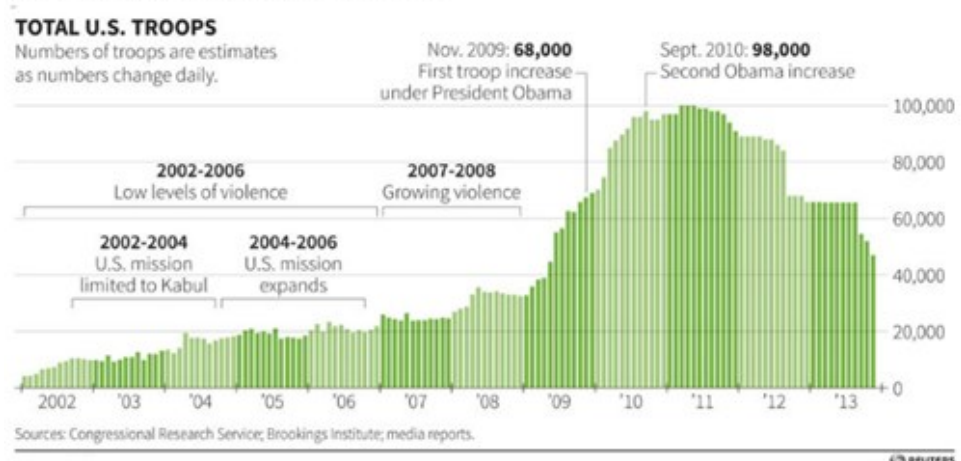
**Afghanistan** - The Bush administration had remained in a defensive posture in the belief that given the forces available, enemy capabilities and the historic record, that was the best that could be done, especially as the Pentagon was almost immediately reoriented and refocused on the invasion and subsequent occupation of Iraq. Towards the end of Bush's administration they began exploring - under the influence of General David Petraeus, who designed the strategy in Iraq the possibility of a political accommodation in Afghanistan.

When Obama took office the US military and foreign policy establishment had already abandoned the neo-conservative objective of crushing the Taliban and remaking Afghanistan into a functioning democracy. America's Afghanistan policy fell into the hands of the realists, whose priority was maintaining a tractable and viable client in Kabul, keeping Afghanistan securely inside the US sphere of interest, holding on to a key asset in Central Asia's "great game" of energy resources and pipeline infrastructure.

Obama's main foreign policy position was that Bush's adventure into Iraq had obscured the real threat from Afghanistan and Pakistan, which should be the priority. Obama

escalated US military intervention in Afghanistan, increased the number of US troops and expanded their operations and engaged in methodical, cross-border attacks. Obama extended the

## U.S. troops in Afghanistan



'war against terror' by systematic, large-scale ground and air attacks on Pakistan, thus escalating the war to include villages.

What Obama did by 2011 was redefine the Afghan theatre and reorient the US presence in the country. Under Obama the US began its policy of focussing on more long-term and strategic issues rather than focusing on day-to-day issues which were to be outsourced to the Afghan security forces that the US would train and a host of neighbouring countries. Obama reduced troop levels as combat operations had changed in scope from occupation to security. US personnel who remained, will stay in Afghanistan for decades, so the US can achieve its long term aims in the region and create the conditions for this. Obama also began attempts to negotiate with the Taliban so a settlement that could be achieved which protected US long term presence.

Today no progress has been made with the Taliban who continue to regularly challenge the writ of the Kabul central government. In 2015 the Taliban spectacularly took much of Northern Afghanistan, including Kunduz, despite substantial US military training, aid and assistance. Despite Obama proclaiming Afghanistan to be America's real war, he brought much of the US armed forces back home, but the architecture him and his predecessor built is marred with corruption, incompetence and it never actually defeated the Taliban, who continue to haunt them. This is why well after Obama leaves office his replacement will have to maintain some US military presence, to ensure the country doesn't fall back into Taliban hands.

**Pakistan** – Obama didn't just follow Bush in his policy for Pakistan but outshone him by leaps and bounds. As the Taliban made a comeback and made a mockery of the so called US success in the country the Bush administration had concluded that Pakistan posed the primary obstacle to success in Afghanistan. As long as jihadists could freely infiltrate across the border shared by those two countries, victory in the Afghan war would remain elusive. *"We can hunt down and kill extremists as they cross over the border from Pakistan,"* Admiral Michael Mullen, Chairman of the Joint Chiefs of Staff remarked, *"But until we ... eliminate the safe havens from which they operate, the enemy will only keep coming."*<sup>13</sup> George W Bush built the case against Pakistan and Obama executed the project, which is officially called the Af-Pak war. Obama publicly declared that his regime will extend the 'war against terrorism' by systematic, large-scale ground and air attacks on Pakistan, he escalated the war to include villages, towns and cities deemed sympathetic to the Afghan resistance. Pakistan in fact became the new theatre for US imperial expansion and this was deemed necessary by Obama to win the regional war.

**Arab Spring** – When the Arab spring began in Tunisia and spread to America's stalwart in Egypt, US officials were caught on the back foot and never expected long term dictator Hosni Mubarak's rule to ever be threatened. Vice President Joe Biden, reiterated at the time: *"Mubarak has been an ally of ours in a number of things. And he's been very responsible, relative to geopolitical interest in the region, the Middle East peace efforts; the actions Egypt has taken relative to normalizing relationship with – with Israel. ... I would not refer to him as a dictator."*<sup>14</sup> Biden went on to twice question whether or not the tens of thousands of protesters had legitimate complaints. The US quickly changed track when it became clear Mubarak would not survive, and in conjunction with the US funded army, Mubarak was replaced with the army and eventually the Muslim Brotherhood (MB). The MB, when office, spent most of their term fighting-off street protests and trying to present an

image of moderation, despite making numerous promises to the Egyptian people. The constant domestic instability in Egypt led the US to begin criticizing the Morsi government and eventually describing the military overthrow of the MB government and “restoring democracy.”<sup>15</sup> Obama successfully ensured real change didn’t come to Egypt, which is its bulwark in the region

**Libya** – The US establishment jumped at the chance to partake in the overthrow of Gaddafi, who had for decades been a thorn against US interests in the region. Sensing Britain and France would be unable to carry out the military operation themselves, the US deployed its resources to overthrow Gaddafi in order to have a role in Libya post-Gaddafi. The US provided aerial refuelling capability, US Air Force KC-135 Stratotankers began refuelling French and British fighter-bombers. They flew more than 200 missions, providing over 8 million pounds of fuel. The US military did all the heavy lifting to overthrow Gaddafi. But Britain was able to maintain its influence in the country by bringing former Gaddafi officials in a transitional government and then the permanent government. Because the US had no presence in Libya when Gaddafi was in power, through the CIA it began making contacts with militia groups and tribes to gain their loyalty and bring them to power. The hub of this activity was in the US consulate in Benghazi, but this was eventually burnt to the ground in September 2012, bringing to an end its role in furthering US interests in Libya.

The US then turned to former Major General Khalifa Hifter who has spent the last 20 years in Virginia, USA, where he was trained in guerilla warfare by the CIA. The Business Insider reported: “*The likelihood that Hifter was brought in to be some kind of asset is pretty high. Just as figures like Ahmed Chalabi were cultivated for a post-Saddam.*”<sup>16</sup> Since June 2014 through Hifter the US has supported the Tabruk government, which is battling the government in Tripoli for the right to rule over the country. But the US continues to struggle in outdoing the UK in Libya, even the intervention of Egypt to bolster Hifter in 2014 has been unable to change this reality.

**Yemen** - The US used the war on terror to undermine Ali Abdullah Saleh by accusing Yemen of being a hub for Al Qaeda. Ali Abdullah Saleh attempted to appease the US with a host of security guarantees which allowed the US to carry out drone attacks in the country. The Arab Spring uprising gave the US the opportunity to remove Saleh, who however dug in his heels in the face of demands by his own people to leave. He eventually agreed to a transition deal, only to be replaced by his own crony - Abd Rabboh Mansour Hadi. The US used the dispute of the Houthi people who had been oppressed by the ruling party of Saleh to interfere in the country. America supported the Houthi’s expansion in the country. Senior US intelligence official Michael Vickers made clear that intelligence had been provided to the Houthis for a long time.<sup>17</sup> But the Houthis overplayed their hand after attempting to take over the whole country and overthrowing the government in Sanaa. The US faces the problem of backing a faction that is unable to sustain its position in the country.

**Mali** – Under Obama, the US continued in its efforts to seize Africa from Britain and France. In March 2012, one of the poorest countries in the world, Mali was thrown into turmoil when junior military officers overthrew the civilian government a month before general elections were to take place. The coup took place with the help of the US, US diplomats confirmed that: “*The coup leader Captain Omedua Ahmedou Haia Sanogo had been chosen from among elite officers by the U.S. Embassy to receive military training to combat terrorism in the United States.*” He added that “*Sanogo travelled several times to America on special missions...*”<sup>18</sup> The US had only then expanded

ties with Mali signing a number of deals, including agreements to train Malian forces through hand picking officers that would travel to the US for training. But as a consequence of the coup by junior officers against their senior officers, security in the country fell apart and the whole North of Mali was taken over by the Tuaregs and a number of Islamic groups in the region. This was used by France to build coalition to intervene in the country. The 3000 French troops with an assortment African union troops reversed the loss of the north of the country and by December 2013, under French occupation conducted elections, France brought back to power the political elite loyal to it. This foreign policy adventure was a failure on part of the Obama administration as it was unable to sustain the coup.

**Russia** – When Obama took office in 2009 Russia had reversed many of the gains the US had made in the former Soviet territories. Russia has reversed the colour revolutions in Ukraine, Kyrgyzstan and contained Georgia. With the US occupied by Iraq and Afghanistan Russia was much more confident against the US, especially when its military superiority was being challenged by guerrilla warfare. In central Asia, under Obama the US continued to use economic aid, military aid and terrorism to gain influence of the rulers in these nations, progress has been slow due to Russia's historical influence over these countries. The US jumped at the chance to overthrow the pro-Russian Victor Yanukovych, when protests began against his rule in late 2013. Yanukovych was eventually over thrown and a pro-West government replaced him. In return Russia annexed Crimea and moved its military into eastern Ukraine and used ununiformed military personnel further inland in Ukraine to weaken the hold of the central government in Kiev. The US hit back with the US Secretary of State John Kerry visiting Jeddah to see King Abdullah. Straight after this meeting the Saudi's raised oil production and cut its crude price. The effect of this was oil prices plummeted in 2014 which led to an economic crisis in Russia as it needs an oil price of \$105 barrel to balance its budget. The struggle for Ukraine continues and to a large degree is now s a frozen conflict.

**China** – After decades of viewing China as a partner, it was the regime of George W Bush that designated China as a competitor rather than a partner. Under Obama's tenure, this was taken further in 2012. In June of that year the US Secretary of Defence, Leon Panetta, announced at a security conference in Singapore that, *"the United States will keep six aircraft carriers in the Asia-Pacific region and will shift 60% of its warships to the region, over the coming years until 2020."* He explained that the *"transfer of the US fleet comes in the context of the implementation of a new US strategy designed to raise the level of US military presence in the Asia-Pacific."*<sup>19</sup> This announcement came a year after Hilary Clinton announced the US was a Pacific power, after decades of focusing in the Atlantic. The US under Obama continued to use North Korea's nuclear programme to escalate tensions in the region and justify its military presence. Obama reiterated: *"Washington has an obligation (to) defend the homeland (and) reassure South Korea and Japan that America's defence commitments remain firm."*<sup>20</sup> Under Obama, the US worked to lead and direct new Asia-Pacific economic organisations in order to enshrine US strategic interests within such institutions. The US worked to shape multilateral regional institutions in the Asia-Pacific region, this was to unify some countries against China and to prevent a powerful regional coalition from taking shape that did not involve the US. Today the US maintains key roles in Asian multilateral organisations such as the Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS). It also continued with its bilateral ties and strengthened them with allies such as Australia and Japan and emerging regional



powers such as India and Indonesia. Obama successfully excluded China out of the Trans-Pacific Partnership Treaty which is a tariff elimination and preferential market access agreement.

Barack Obama has proven once again the reality of being the US president. The US president in reality has little power and even more indirect limitations. Congress yields immense power in the US and has a say on matters such as the budget and the funding for war, for the last four years the Congress has been in the hands of the Republicans. The US president is a transitional position, in the sense that the specific president deals with the same underlying issues, rather than a different set of issues. Successive US presidents have to deal with maintaining US global interests, dealing with both global and regional threats and maintaining the country's dominant position. Each president will have a certain amount of finance (budget) particular military, CIA as well a host of other tools. How these are used, prioritised and deployed is what changes between presidents, but each president in reality pursues the same strategic aim, they have more control over the tactical rather than the strategic. Whilst Bush and the Neocons pursued regime change as a means to spread US influence around the globe, Obama oversaw the extrication of America's military and the use of other regional nations in pursuing US interests. But whether Obama or Bush, both agreed that the US should be a global power, play a leading role in the world and ensure this position was never threatened. Thus, overall, Obama merely continued this trajectory through extricating the US from two wars that dragged on much longer than the US envisaged and he also attempted to spread US influence in places such as Libya, Syria, Yemen and the Far East.

## **Conclusions**

In 2015 the US continued navigating the myriad of challenges across the world. In Syria it has developed a plan in thwarting real change and constantly developed different styles and means to strengthen this plan. Across all regions of the world, despite a decade of war the US has maintained its influence and it faces no challenge to its global position by any other nations for the moment. Despite challenges from China, Russia and the Muslims in the Middle East, the US has navigated these challenges and kept them to their region, maintaining its global superpower status.

## **2016**

**China** - Despite much fanfare on America's pivot towards Asia, aside from some economic deals such as the Trans Pacific Partnership (TPP) the US has failed to capitalise upon this and contain China's rise in the Pacific. Its occupation with affairs in the Middle East has once again taken the bulk of its time and resources. China has rapidly developed in the last decade from an economic and military perspective and dwarfs most of the countries in the region. Unless the US puts a halt to this it may find a challenge to its supremacy in this region, sooner rather than later.

**Debt** – The US national debt is over \$21 trillion and well in excess of its economy. This situation is not sustainable and will impact the US in projecting power globally in the long run. One of the more serious implications of this enormous debt is that the American state frequently shuts down government activities upon reaching an ever-rising debt ceiling. The US is in the precarious situation that it has to roll its debt over by issuing new debt to repay its old debts. All this continually increases the debt levels and effectively in-debts future generations. The effects of this debt is already affecting US

prowess, its military is going through sequestration (spending cuts) which is leading to the cancellation of a number of military platforms. America's ability to conduct its foreign policy could be seriously affected if another nation challenges US ability to repay its debts. Unless the US is able to reign in its indebtedness, a rival economic power with a major alternative world currency could undermine the dollar's reserve currency status and with it the US's economic standing.

**Presidential Elections** – 2016 is election year for the US and brings to an end Barack Obama's term. Whilst there was much hope when he emerged victorious, they quickly dissipated as the reality of America's global position became apparent. The two wars in Iraq and Afghanistan has consumed the US and many Americans are pessimistic about US prospects going forward. It is very likely brand Clinton will face brand Bush in the November 2016 election. But whoever emerges victorious will have to navigate the US through unprecedented waters.

# Russia

At the end of 2014 Russia faced significant external and internal challenges. Externally the EU and the US were using protests against the government in Ukraine as a pretext to interfere and determine the orientation of the country. This battle turned into an economic battle with the US manipulating global oil prices, which hurt the Russian economy and was causing its economy to shrink. In 2015 Russia faced significant challenges that would affect its ability to project power.

## Ukraine

The uprising in Ukraine in late 2013 resulted in the overthrow of the pro-Russian President, who was replaced eventually by a pro-Western government in Kiev. Russia responded with the annexation of Crimea and a pro-Russia insurgency in eastern Ukraine. This kicked off a protracted struggle between the West and Russia, which still continues today. The US used the fear of a possible Ukrainian invasion by Russia for a military build-up along the European borderlands, eventually sanctions were also levelled on Russia.



Both the US, Europe and Russia realised the conflict over Ukraine has reached a stalemate as both didn't possess the capability to completely outdo the other. This was when both sides engaged diplomatically, which took many forms. The Minsk talks were to deal with the tactical aspects of the conflict, the Normandy talks discussed the broader political issues, and myriad bilateral meetings between Russia and Western powers such as the US, Germany and others were all attempts for the evolution of a political resolution. The Minsk talks produced several cease-fire agreements that, though not ending the fighting completely, have decreased casualties and hostilities on the line of contact between the rebels and Ukrainian security forces.

But all the agreements, ceasefires and numerous meetings have not brought an end to the crises in Ukraine. In fact the longer it has continued, the West became busy with other international issues and has turned Ukraine into a frozen conflict. Ukraine continues to rely on western handouts but the crisis in Ukraine is having an adverse effect on the Russian economy, which is impacting its ability to press ahead with other important foreign policy and domestic issues.

## **Economic Crisis**

Low energy prices and the sanctions imposed by the West have taken their toll on Russia in 2015. Numerous essential projects have now been affected and may have to be delayed, scaled back or even cancelled. Russia's Arctic ambitions centred on drilling near the end of 2018, ExxonMobil and Rosneft began drilling in the Kara Sea in August 2013, but US sanctions forced ExxonMobil to pull out of the project entirely. As a result of pushing back the development timetable the first oil from the project will not come online until the second half of the 2020s, if not later, instead of during the crucial 2020-2025 period. As many of Western Siberia's Soviet-era fields decline, Russia needs reinvestment, redevelopment and the discovery of new resources just to maintain its current production levels.

The fall in oil prices exacerbated the financial problems of energy firms. Rosneft, one of Russia's largest energy firms that requires large-scale assistance from the government in order to remain financially stable in the face of \$42 billion in debt due over the next two years. Rosneft requested financial assistance from the Kremlin in the tune of \$40 billion, but was told categorically the Kremlin has too many issues to tackle and thus Rosneft will have to sort this problem out itself.

Similarly Russia's other energy giant, Gazprom was forced to cut its capital expenditures for 2015 by nearly 20%, to \$30 billion. Gazprom was forced to abandon one of its more ambitious projects, the South Stream pipeline; though the company said political pressure from Europe led it to abandon the project, the heavy costs involved certainly were a factor. Gazprom will bear a heavy financial burden in the coming years, with many large-scale projects planned or underway.

The crisis also hit Russia's different regions. Russia's mono-cities, or single-industry towns, are beginning to feel the weight of the heavy financial burden bearing down on regional governments. There are 319 mono-cities that together house 14 million Russians (roughly 10 percent of the country's entire population). The cities are a relic of the Soviet period, when towns relied on one industry or plant to employ the bulk of their populations, sustain their economies and provide social services. Most Russian mono-cities centre on manufacturing, metallurgy, timber or fuels, which make up 30% of the country's industrial production. These cities have lived on subsidies from the federal government or from Russia's oligarchs to survive. In a visit to the mono-city of Usolye-Sibirskoye, Russian Prime Minister Dmitri Medvedev said only 79 of the country's 319 mono-cities were economically stable, adding that the federal government would not be able to save the other 240.

The clock is ticking for Russia's economy. Unless the Kremlin is willing to let Russian companies default on their debts or make bigger cuts to their current operations or future investments in the coming years, Moscow will need to navigate through this crisis. In the past, Russia has shown its ability to withstand economic pain for the sake of maintaining its strategic position in the region, but it is unclear how much longer Moscow can sustain this position.



## Syria

On September 30 2015, Russia began airstrikes in North Syria, after a month of moving its military equipment into the country and under the full glare of US satellites. Three months prior to the intervention a flurry of activity from Russia showed something was brewing.

By August 2015 Bashar al-Assad's regime had suffered from a string of losses against the rebel groups, in Idlib, eastern Homs and Deraa. This left the regime in a desperate position as it lost most of the country, with many considering the regime was on its last legs. It was in this context meeting after meeting took place between all the different players. A timeline of such meetings and the statements from them, will clarify their meaning and purpose.

On the 3<sup>rd</sup> of August 2015 a three-way meeting between US Secretary of State John Kerry, Russian Foreign Minister Sergey Lavrov and Saudi Foreign Minister Adel al-Jubeir took place in Doha. At this meeting the fight against ISIS, Iran and Syria were discussed. Sergei Lavrov after talks with his Saudi counterpart Adel al-Jubeir confirmed: *"We agreed to continue practical steps, we agreed on them, which are aimed at preparing the optimal conditions for a renewal of dialogue between the [Syrian] government and all the Syrian opposition."*<sup>21</sup>



On August 6 2015, Syrian Foreign Minister Walid Moallem met with his Omani counterpart, Yusuf bin Alawi in Muscat, Oman, to discuss "constructive efforts" aimed at ending the Syrian crisis. Syria's state-run news agency reported the two diplomats *"agreed to continue cooperation and coordination to achieve the shared goals of their peoples and governments."*<sup>22</sup> Two days before this meeting he visited Iran and met with the country's leadership in Tehran as well as Russia's Mikhail Bogdanov, Russian President Vladimir Putin's special envoy to the Middle East.

Then on the 13 August 2015 a stream of high-profile visitors, from the Saudi foreign minister to various Syrian opposition members attended a meeting in Moscow. This was an unprecedented meeting as up until this point the opposition movement who have been part of the Geneva 1 and Geneva 2 talks to find a solution to Syria refused to attend any meetings with Russia, due to its position that al-Assad will play a role in the future of Syria. The head of the National Coalition of Syrian Revolution and Opposition Forces, Khaled Khoja, stated, *"Moscow is no longer committed to supporting Syrian President Bashar al-Assad unconditionally, and emphasizes the need to preserve the territorial integrity of the country."* Russia's Foreign Ministry then said it urged Khoja to take an active part in developing *"a constructive collective platform to begin dialogue with the government of the Syrian Arab Republic."*<sup>23</sup>

Then on the 14 August 2015 the United Nations Security Council backed Russia's new initiative for peace talks. It was the first time in two years that the council agreed a political statement on Syria. The 16-point statement drafted by France had been under negotiation since UN envoy Staffan de Mistura presented his new approach for peace talks to the council in June 2015. The peace initiative, set to begin in September 2015, would set up four working groups to address safety and protection, counterterrorism, political and legal issues and reconstruction.

Then on the 29 August 2015 new US-Syria envoy Michael Ratney met with Russian Deputy Foreign Minister Mikhail Bogdanov and other senior Russian officials in Moscow with UN envoy de Mistura and with Saudi Arabia's al-Jubeir in Jeddah on Aug. 31, this was in order to: *"continue discussions about working toward a genuine political transition and bringing an end to the devastating crisis in Syria,"* a State Department official confirmed. *"These meetings support Secretary Kerry's engagement with his counterparts, as well as our regular engagement on and support for Special Envoy de Mistura's efforts."* The US State Department confirmed the meeting in Moscow: is to *"work toward greater convergence of views among both foreign govts and the Syrians themselves on the political transition in Syria."*<sup>24</sup>

With all these meetings Russia has played a leading role as it has come up with an initiative for Syria. In all the meetings in August Russia's initiative is what all the various nations, officials and leaders have been discussing. Sergei Lavrov confirmed Russia's proposal was that all anti-ISIS forces, including the Syrian army, the Iraqi army, and the Kurds, pool their efforts. *"They all must be united, and the regional players must use their influence with the groups on the ground to make such unification as efficient as possible,"* Lavrov said. *"Without pooling efforts of all those who confront terrorists on the ground, the US-led coalition's airstrikes wouldn't bring the desired results and the Islamic State wouldn't be defeated."*<sup>25</sup> Russia's President Vladimir Putin launched Russia's new mediation effort in June when he met with Saudi Deputy Crown Prince and Defense Minister Mohammed bin Salman in St. Petersburg. The initiative demanded all sides work for an end to the war by launching a Syrian-led political process leading to a political transition, the peace process included the establishment of an inclusive transitional governing body with full executive powers, which shall be formed on the basis of mutual consent while ensuring continuity of governmental institutions.

The Russia initiative was no different to the past initiatives in that the current regime should remain in place and the opposition should enter into talks with it in order to bring an end to the conflict in Syria. This political plan was the American plan, which all the nations in the region and the international powers have all been working towards. They are all in agreement that the regime in Syria should remain in place and the opposition needs to negotiate with it to form a coalition and permanent government. Whether it is America or Russia, they view the current Baathist regime in Damascus as part of its solution, with or without Bashar al-Assad.

In Syria both the US and Russia are in agreement the regime needs to remain at all costs. Back in 2011 Hilary Clinton made the US position very clear: *"There are deep concerns about what is going on inside Syria, and we are pushing hard for the government of Syria to live up to its own stated commitment to reforms. What I do know is that they have an opportunity still to bring about a reform agenda. Nobody believed Qaddafi would do that. People do believe there is a possible path forward*

*with Syria. So we're going to continue joining with all of our allies to keep pressing very hard on that.*"<sup>26</sup> Then in 2012 US Secretary of Defense Leon Panetta, qualified the US position: *"I think it's important when Assad leaves - and he will leave - to try to preserve stability in that country. And the best way to preserve that kind of stability is to maintain as much of the military, the police, as you can, along with the security forces, and hope that they will transition to a democratic form of government. That's a key."*<sup>27</sup> For the US maintaining the regime is its aim, with or without al-Assad.

Russia has not only provided political cover for the Damascus regime but also provided financial, economic, military and intelligence support to ensure it is not removed. The differences that are continually cited between Russia and the US over Syria are mere statements that do not translate into any action. This was something recognised by one of America's most read news and reporting websites, the Daily Beast: *"Putin knows that the U.S. may be tacitly OK with seeing Russia directly safeguard 'state institutions' in Damascus—i.e., the Syrian army and the security services responsible for the bulk of the country's carnage—especially as the so-called Islamic State widely known as ISIS creeps ever closer to the capital. He need only read U.S. newspapers, which cite anonymous White House officials objectively supporting Assad's longevity, to glean as much."*<sup>28</sup>

It should also be remembered that no regime is ever one person and no one person is ever a whole government. Even Vladimir Putin of Russia, despite his power, he shares power with the security class in Russia and has various centres of power. Russia and the US are in agreement in preserving the regime in Damascus, it is irrelevant whether Bashar al-Assad is leading it or not. This difference is merely for narrative purposes to cover their real intentions.

## Conclusions

Russia in 2015 participated in an international issue well beyond its region, in Syria. Whilst Russia and the US are on the same page regarding thwarting real change in Syria, Putin has used the opportunity to undermine the US whilst it is struggling to bring loyal groups to power. Russia has successfully turned Ukraine into a frozen conflict and has proven that the country just matters more to it than it does for the West. Whilst Russia has made moves externally, internally it faces uncertainty as oil prices are so low, which has precipitated an economic crisis. This will impact its ability to conduct its foreign policy in 2016.

## 2016

**Economic Crisis** - The Russian economy will continue to be a major issue for Moscow in 2016. The Kremlin has taken steps to insulate it from the effects of the Western sanctions, including seeking investment from Russia's neighbors to the east, using Russian banks for financing and postponing large projects that require either foreign investment or technology restricted under the current sanctions. But Russia is jeopardizing the country's financial stability and ability to maintain current levels of energy production, due to oil prices being so low. Russia will need to flex some muscle in 2016 to deter the western front against it, which is causing the economic crisis.

**Syria** – Russia intervened in Syria to prop up the regime of Bashar al-Assad in October 2015. But very quickly the progress stalled as Russian forces faces what the regime has long battled against – a

protracted guerilla war. The Russian invasion actually unified the different rebel groups and this resulted in Russia having to conduct more strikes, forcing it to expand its presence. In 2016 Russia will need to be mindful of mission creep and the effect this can have domestically



# China

Our assessment of China at the end of 2014, concluded:

**In 2014 China began the opening gambit of the colossal task of restructuring its economy. The outcome of this will have ramifications within China, its region and the global balance of power.....As matters stand at the end of 2014, China is a regional power and poses a challenge to the global super power in its region. China currently poses no challenge to the US global position, which remains well beyond its reach.**

2015 has been an eventful year for China. China's colossal transition away from its low wage, aggressive export economic model to internal consumption continued in earnest but was nearly thrown off course when its stock markets crashed in the summer. China continues with its strategy of laying claim to the South China Sea though occupying reefs and atolls and building artificial islands. This aggressive strategy took place as China published its defence white paper which highlighted its doctrine and future military posture, a key part of China ambitions to be a regional, and one day a global power. Two key developments took place in 2015 which will impact China for the foreseeable future, the end of its one child policy and the launch of the Asia Infrastructure Investment Bank as a counter to the Bretton Woods Institutes.

## Stock Market Crises

The Chinese government from July 2015 began intervening in the countries financial markets in order to stop the decline in stock prices. On 24th August, Shanghai's main share index lost 8.49%. As a result, billions of dollars were lost on international stock markets with some international commentators labelling the day 'Black Monday'. The deterioration occurred despite intensive government efforts to stabilise prices and revive investor sentiment.



China's leaders have spent the best part of two decades attempting to work out how to cultivate greater household consumption without undermining the low-cost export and government investment-led economic growth model. Doing so required creating investment avenues by which ordinary Chinese citizens could achieve returns on their savings, but which did not direct those savings away from

domestic export and construction industries. Allowing ordinary Chinese to invest their savings overseas was out of the question as it would direct savings away from the domestic economy, but the free flow of capital in and out of China would adversely impact the government's ability to manage the yuan's value. It was in this context that China's leaders in the early 1990s settled on two approaches: commercial real estate markets and stock markets. Both would give ordinary Chinese new opportunities to invest their savings and reap the rewards while simultaneously directing those savings into key industries and sectors, including housing and infrastructure construction and the state-owned sector, which enjoys disproportionately higher representation on China's largest stock exchange.

For the past 20 years, commercial real estate was by far the dominant avenue for ordinary Chinese to invest their savings, with stock markets playing a secondary role. Real estate and related industries still form the single largest component of China's economy. But real estate offered many ordinary Chinese a safe way to increase their savings. But now real estate is weighed down by years of construction which exceeds the amount the Chinese can consume. China's earliest stock exchanges emerged in the late 1980s in cities such as Shenzhen and Chengdu. Ordinary Chinese seeking new places to invest their savings merely wanted returns to be greater than what could be earned on a commercial bank deposit. This process coincided with the creation and expansion of commercial real estate markets in the mid-1990s, which provided another opportunity for ordinary Chinese to invest their savings. The Stock market was a useful additional means of channelling the population's wealth into State Owned Enterprises (SOE), but they were not critical to the state's financing efforts.

As has become clear in 2015, China's stock markets are increasingly vulnerable to the sort of debt-fuelled speculative activity that drove the country's housing boom into bubble territory and that has made the process of deflating that bubble so treacherous both economically and politically. The stock market bubble and the real estate bubble have both run their course as well as aggressive exports as tools in economic growth and social stability. The Chinese leadership will now need to find alternative sources of investment for its citizens, but at the same time ensure key industries remain financed. The country's first major attempts at cultivating domestic consumption has run into serious trouble. Historically the huge central government grip has allowed it to weather bubbles, crisis and unemployment but China now faces a challenge of epic proportions; some 950 million of China's citizens earn less than \$5 a day, but the communist leadership needs them to consume more and more of the goods that come out of the factory gates in order to cultivate a domestic consumer base.

### **Asian Infrastructure Investment Bank (AIIB)**

China officially launched its equivalent of the IMF and World Bank in April 2015 – the Asian Infrastructure Investment Bank. Former US Treasury Secretary Lawrence Summers wrote that this may be remembered as the moment the United States lost its role as the underwriter of the global economic system.<sup>29</sup>

The global financial and economic system in the world today was constructed in the aftermath of WW2. The US cut a deal with the heavily indebted Britain at the height of WW2 in the Lend-Lease deal, which handed over British naval bases to the US in exchange for financial support. This transferred control of the world's oceans to the US. Then, in New Hampshire, delegates from each of the major Allied nations spent three weeks at the Bretton Woods Conference, where a monetary

system based on the US dollar and two new institutions: the International Monetary Fund, which would monitor trade flows, and the World Bank, which would help provide financing for developing nations emerged. Both were to be headquartered in Washington, and the US effectively inherited the global economy.

The US centric system was further strengthened in 1971, when President Richard Nixon discovered that under the Bretton Woods system, he could pay for war by printing dollars and export the resulting inflation to the rest of the world. This new fiat currency system released the dollar from being converted into gold.

China's emergence on the international scene from 1978 resulted in it keeping internal costs low to aggressively export its manufactured output. This resulted in huge surpluses, exceeding over \$4 trillion. These reserves are now central to Chinese attempts to shift to a model of internal consumption. China has plenty of internal and regional projects it could funnel these reserves through, but many of the regional and global institutes are sewn up by the US. China could seek more clout in these institutions. It has worked to gain a larger voting share in the IMF, but it has now gone down the route of simply creating its own institution – the AIIB.

This new institute means there is and will now be an alternative to the US dominated Bretton Woods's institutes. Even though it is not key to the economic futures of Australia and Britain it provides countries with the opportunity to build a relationship with tomorrow's giant. Each country that joined the AIIB calculated that the fraction of favour gained in Beijing through their participation was just enough justification to risk Washington's disapproval. This is indeed a significant moment, and it remains to be seen if it can challenge to the entire Bretton Woods system.

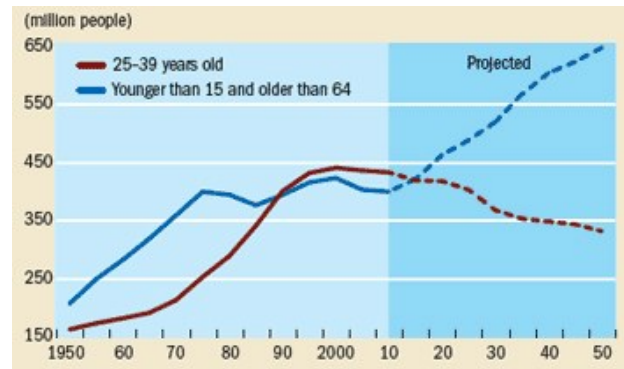
## **Demographics**

In October 2015, the Chinese Communist Party's 18th Party Congress revealed in its Fifth Plenum Communique that China will abandon its One Child Policy, allowing all couples to have two children. The One Child Policy, adopted in 1979 was in order to avoid massive overpopulation. Three decades on, the policy lead to a huge gender imbalance and an inverted population pyramid where a diminishing pool of young workers now supports an ever-increasing number of pensioners. This raises the spectre that China will grow old before it becomes rich.

One of the reasons for abandoning the policy was the question of whether it any longer had any impact on China. China's low fertility rate of 1.4 children per mother, compared with an average of 1.7 in developed countries and 2.0 in the US, is at least as much a reflection of urban couples struggles to cope with the rapidly rising cost of living and education in many Chinese cities as it is of draconian enforcement of the policy.

There has, for long, been two Chinas: a wealthy coastal region home to 400 million, including much of China's middle class, and a largely rural interior home to 900 million people, many of whom have seen only minimal benefits of economic growth since 1978. High costs of living — and thus of raising a second child — in coastal cities imply that the inland population is likely to grow more quickly than the coastal population. This will widen the chasm between the two Chinas.

China will need to urbanise much more of its population if it is to increase domestic consumption. It will need to house, employ, care for and educate most of its population if it hopes to create more consumers by 2030. Within the next decade however, over 25% of China's population will be over the age of 60, compared with under 15% today. In that time, the portion of China's population too young or too old to work will rise from around 38% to 46%, with the balance of China's dependent population shifting substantially from young to old. At the same time, China's working-age population (20-59) is set to decline by as much as 80 million people. The shift to internal consumption will require a drastic increase in worker productivity just to sustain growth rates even remotely close to present levels.



The one child policy needed to be abandoned as it has created an imbalance in the age structure of the country. This will impact Chinese attempts to spread its economic ascent to the rest of the country as the populations average age moves from young to old.

## Military

The South China Sea was in 2015, once again at the centre of international attention following the US decision on October 27 2015 to send a warship within 12 nautical miles of Chinese-held islands in disputed waters. Similarly China in 2015 continued with its series of “reclamation” projects in the waters of the South China Sea, expanding islands and constructing landing strips



on the coral reefs and rock formations that make up island chains, like the contested Spratly Islands. Through this so-called “Great Wall of Sand” Operation, Beijing hopes to assert a permanent claim to these specks of rock and coral and, ultimately, the vast majority of the sea itself. Maritime disputes in the Pacific Rim carry a great significance in terms of the regional balance of power, and the South China Sea has become the most visible area of tension.

China’s military ascent continued in earnest in 2015. On October 9th, 2015 the Chinese Navy visited Finland for the first time in its history. A Chinese destroyer, frigate and supply ship arrived as part of a six month world cruise for these three ships and making official visits to countries along the way including seven stops in the Baltic Sea. This is all part of a new policy that has warships spending a lot more time at sea and sending some of them to many places Chinese warships have never been before in its history. This was after, Chinese war ships, for the first time in the country’s history sailed through the Bering Sea, which is the 50 miles that’s separate mainland Russia from Alaska. Prior to

these trips Chinese experiences of travelling far from the country's mainland was mainly the pirate operations of the Gulf of Aden.

With all these military manoeuvres Chinese officials published the latest defence white paper in 2015. These white papers give a comprehensive view of just how China would like the world to interpret the evolution of its defence capabilities. In the paper, released May 26 2015, China sent a message that it is a big power with international interests and will shoulder international responsibilities, but that unlike other major powers before it (the US), China has no hegemonic designs.

The centrepiece of China's strategy is it wants and needs to take a stronger and more active role in international security. But it also wants to prevent any of its actions from being interpreted as aggressive or imperialistic to avoid the political and security consequences of being seen as an interventionist power. Among the shifts in China's overall strategy, as laid out in the white paper:

- The Chinese armed forces will continue to reorient from theatre defence to trans-theatre mobility
- Its Navy will gradually shift its focus from offshore waters defence to the combination of offshore waters defence and open seas protection.
- The Chinese Air Force will endeavour to shift its focus from territorial air defence to both defence and offense.

Chinese military is expanding from a very low capacity, from a military designed largely for internal security, and one that has always been dominated by its ground forces over the air and naval forces. China is not looking to match the US military in global capabilities, China's primary interest is its own region, where there are numerous security issues at play, even excluding the United States.

China is not a global power but regionally it is developing strong capabilities. China has made significant progress in modernising its armed forces but the balance of military power between the US and China is still predominantly in favour of the US. However, China would enjoy enormous situational and geographic advantages in any likely East Asian scenario that would largely offset these strengths. As China prepares for conflicts close to its periphery, the mainland provides large and relatively secure staging areas for operations.

## **Conclusions**

China effectively needs to shift its economic drivers, wealth and progress to its vast interior which has been a bystander in China's three decades development. For China to play an effective role in its region and beyond stability internally is crucial. The outcome of this transition will also impact its military as China attempts to modernise, develop indigenous military platforms and become self-sufficient.

China has many grand plans within its region and beyond, but all these are predicated on its economy supporting such aims. As matters stand at the end of 2015, China is a regional power and poses a



challenge to the global super power in its region. China currently poses no challenge to the US global position, which remains well beyond its reach. If China is able to transform its economy and develop global ambitions then it would pose a challenge to the global balance of power.

## 2016

**Internal Cohesion** - China has for long suffered from an internal cohesion problem and in 2015 this has become worse. Zhou Xiaozheng, a senior professor from the Institute of Law and Sociology at Renmin University of China explained the reality in China *“Don’t forget, China’s current success is built on 300 million people taking advantage of 1 billion cheap labourers. And the unfair judicial system and the unfair distribution of wealth are making the challenges even greater.”* Due to China’s economic woes the Communist regime has attempted to deflect attention by raising the spectre of terrorism. As China attempts to restructure its economy, the internal cohesion remains a big problem. As Hong Kong has shown foreign interference could spread in China if this problem is not solved.



We concluded at the end of 2014 that the economic crisis on the European continent was causing numerous stresses which Germany has been trying to manage. In 2015 events across the continent continued to test the relationships between the nations of Europe.

The crisis of Europe grew out of the economic crisis of 2008. A sovereign debt crisis ensued across Europe. As numerous European nations had borrowed over the years, many of them got into a position where they were unable to repay their debts. This economic crisis, resulted in a political crisis and some questioned the viability of the European Union. Some type of intervention was needed to rescue Europe. But this is where the problems really began. What problems should be solved and in which order led to differences between the major EU nations.

The German position, which became the dominant position on the continent was that that the crisis was the result of irresponsible social policies in Greece, the country with the greatest debt problem. Therefore the crisis that was threatening the banking system was rooted in the irresponsibility of the debtors.

The other view which gained credibility was the crisis was the result of Germany's irresponsibility. Germany, the fourth-largest economy in the world, exports 50% of its GDP because German consumers cannot support its oversized industrial output. The result is that Germany has a dependency on exports. For Germany, the European Union — with its free-trade zone, the euro and regulations in Brussels — is a means for maintaining exports. The loans German banks made to countries such as Greece after 2009 were designed to maintain demand for its exports. The Germans knew the debts could not be repaid, but exports was their main concern.

As Germany imposed its narrative on the continent it imposed policies that required Greece to clean up its act. That meant continuing with austerity, despite its crippling effects on the Greek public. Greece was put in an impossible position where it agreed to a debt repayment plan that its economy could not support. These plans plunged it into a depression it still has not recovered from — and the problems have spread to other parts of Europe.

The status of Greece continues to dominate the EU. Tumultuous negotiations for most of 2015 over the bailout led to many to view a 'Grexit' the likely scenario. In the end it took until the end of July 2015 for a bailout package to come to fruition. All of this is however just a short term solution, none of it resolves the underlying issue. Greece debts exceed its GDP and under the terms Germany has imposed on Greece, she is required to cut her civil service and social programmes, which has created a social crisis in the country. Every time Greek repayments are due a crisis ensues and Germany imposes even stricter conditions for further bailouts. Greece survived within the EU in 2015, but this is at the expense of social cohesion internally.

In 2015 economic situation in Europe didn't fare much better than 2014. Whilst there was plenty of news during 2015 of the Eurozone economy improving much of this was due to Eurozone wide

Quantitative Easing (QE) which concealed the underlying economic problems. The big economies of Europe still suffer from large budget deficits and debts. Greece continued to weigh heavily on the European Union, but it was events in the Middle East that affected the European continent the most.

## Immigration



Even before the crisis of 2015, despite the fact the EU had established the free movement of labour and migration within its borders, this was already under stress. Across Europe the number one concern for the electorate has long been immigration and as a result anti-immigration parties have seen significant electoral success as a result of this. For many, migration is Europe's biggest problem. Many believe, prior to 2015, the big waves of immigration into Europe over the past 20 years led to

fractures in national communities, strains on infrastructure and resources and in a few extreme cases, the radicalisation of minorities in both the immigrant and indigenous populations. With many EU nations in population decline, immigration is needed to just maintain their workforces at current levels.

The principle of the free movement of people is one of the pillars of the EU. But in 2015 this came under threat. The Schengen Treaty was signed by a number of EU countries where internal border controls were eliminated, whilst external borders were reinforced. Today aside from the UK and Ireland, 26 of the EU nations signed the agreement. It also included non-EU nations such as Switzerland, Norway, Iceland and Romania and Bulgaria, when they were candidate nations. Overtime this treaty became the most visible symbol of the EU. For the first time in centuries many western and central European nations, lacked internal border controls, the only way one would know they have crossed from Germany into France was the change in the language used by the road signs.

This treaty naturally made transit between the EU easier, with long queues at border controls a thing of the past. But it was also very symbolic as it showed the success of the union, where former enemies were now surrounded by partners. A number of former Soviet republics joined the Schengen treaty which was confirmation for them of their road to full membership.

But the chaos in the Middle East generated a flow of refugees towards Europe, especially from Syria. Numerous refugees made the long journey through Greece and the Balkans in an attempt to get to Germany. The German initial message of welcome quickly turned to 'no more welcome.' But the influx of so many refugees has led to problem within and between the EU member states. This has led to some nations, such as Slovenia, building fences to stem the flow of refugees, directly in contravention of the Schengen Treaty. Some nations are thinking about post Schengen. In 2015 the

Dutch government discussed plans to create a smaller version which would only include, Holland, Belgium, Luxembourg Germany and Austria. These countries share cultural links and were the Holy Roman Empire in the late 18<sup>th</sup> century.

The EU was created to remove the boundaries between member states in order that there emerged a cohesive supernational reality. But at every juncture the national differences dominated every crisis and agreement. In 2015 the flow of refugees has added to the already explosive debate on immigration and migration into Europe.

## **2016**

**Scepticism** – In 2016 the EU will need to deal with the scepticism that continues to grow in size and scope. Euroscepticism or Anti-EUism is the body of criticism of the European Union and opposition to the process of political European integration that not only exists but is growing throughout the political spectrum. In 2014 the highest levels of EU officialdom were rattled by victories and major gains for Eurosceptic and populist parties in countries that included Britain, France, Spain, Italy, and Greece, following May's European elections. National governments work with the EU but then undermine it in order appease domestic public opinion and it is this that has allowed far right groups and anti-EU groups electoral success. These parties act like a virus from the inside and constantly undermine the EU as it tries to function in the worst economic crisis for decades.

**New Economic Direction** – Whatever the rhetoric, whether it is stimulus or austerity, both strategies have failed to end the global economic crisis. Stimulus has just created artificial growth which tapers off once its worked its way through an economy, leaving a nation in the same state it was prior to the stimulus. Austerity has led to government to halt the economic engine when it should be stimulating the economy. This is why unemployment continues to rise. In 2015, despite what the statistics say, a change of strategy is needed.

**Brexit** - The British referendum on EU membership is expected in late 2016 or early 2017. The Tory government has attempted to deal with this through various proposals for EU reform, such as reducing red tape and increasing competitiveness. But the attempts to reduce in-work benefits for immigrants will prove more troublesome and will require compromise. UK Prime Minister David Cameron will need to make alliances to push these through and every compromise will be presented as a victory, whether this is enough for the UK public to vote 'in' remains to be seen.

# Global Economy

The effects of the global economic crisis that began in 2008 continues to effect the economic performance of the world's largest economies. Despite periods of growth during the last 8 years, most of this has not been sustainable and this is why a number of nations have suffered from double and triple dip recessions. The world's major economies continue to struggle to achieve sustainable growth, despite years of monetary and fiscal stimulus, as well as the recent drop in oil prices. Many of the world's premier economies also face long-term structural challenges, including rising debt, aging populations, and inadequate or aging infrastructure. Success or failure in resolving these structural challenges will determine the speed of long-term growth in these economies. In 2015 it became very clear that the world's major economies are become more divergent. In the past, global integration has driven convergence. The prospects for further integration have become less certain. The global financial shock was followed by years of weak growth and concerns over rising inequality. The path to renewed and stronger growth remains elusive.

## US Economy

The world's largest economy shrunk in early 2015, which once again proved the effects of the global economic crisis were not over. Richard Moody, chief economist at Regions Financial Corp highlighted at the time: *"Six years into the recovery, we still really haven't absorbed all of the idle capacity in the economy. When your underlying trend of growth is so slow, it doesn't take much to just kind of stop the train."*<sup>30</sup> The recovery has been weak because it was led largely by stimulus spending and Quantitative Easing (QE), which were never permanent fixes but just short term steroids to kick start the economy. On each occasion these tools were used, the economy ended up where it was prior to the prescription.

There are more fundamental reasons why the US economy is struggling to sustain growth. Whilst much of the reasoning is placed at the performance of US President Barak Obama by the Republican Party. But the US economy has for decades been driven by consumer debt rather than real income or an increase in jobs. As of October 2015 the US public has accumulated debts of \$11.85 trillion, this is credit cards, mortgages and student loans. It is this debt that has driven the \$18 trillion US economy, which will need to be repaid. This burden on future generations will only grow as debt plays such a central role in stimulating the US economy.

## China's Slowdown

Since the beginning of the 21<sup>st</sup> century China had played a central role in stimulating the global economy. China's model of low wages, cheap and aggressive exports led it to become the world's largest importer of all-most all metals, commodities, energy and materials. China became the world's largest exporter in 2007. But the global economic crisis that began in 2007 led to a fall in imports from the world for Chinese goods. The Chinese government dealt with this through large scale investment into real estate, but this was never sustainable and China's ferocious economic growth is now slowing.



Much of the emerging economies relied upon Chinese imports of their minerals and commodities for their own growth. And from 2012-2014 the emerging economies drove the global economy as the world's premier economies struggled with recessions. But this supply line was cut in 2015 as China began its move away from aggressive exports, due to its focus upon domestic consumption, this led to the collapse of global commodity prices.

## **Global Trade**

The slowdown in China affected global trade significantly in 2015. Angel Gurría, the OECD's Secretary highlighted: *"Global trade, which was already growing slowly over the past few years, appears to have stagnated. What happened in the past 50 years whenever there was such a slowdown in trade growth, it was a harbinger of a very sharp turn of the economy for the worse."*<sup>31</sup> The downturn in global trade shows that after decades of expansion at twice the rate of the global economy, world trade has now slowed, leading some to proclaim the end of the era of globalisation, which was fed by the rise of China and other emerging economies such as Brazil.

Whilst the global economy has not collapsed and has survived the global economic crisis of 2008, it has not recovered and the underlying problems remain which holds the world's premier economies back.

## **Oil Prices**

After a seven hour session at OPEC's annual meeting in Vienna on 4 December 2015, with oil price plunging to below \$40 a barrel, OPEC could not agree on any resolution, including reducing production. The group's official communiqué made no mention of its existing output targets of 30 million barrels a day, saying only that it would continue to "closely monitor developments." The only agreement reached by the OPEC members, who produce 40% of the world's oil was to meet again in June 2016.

The oil price has been on an upward trend since the beginning of 2000. The price gradually increased as the global economy grew. From 2005 oil prices reached \$60 a barrel and then in 2008 it reached its highest in history \$140 a barrel. Then due to the global economic crisis in 2008 the price of oil crashed and reached \$40 a barrel by 2009. By 2011 oil prices recovered to \$60 a barrel and remained so until 2014, where once again it crashed.

Whilst the increase and crash of the oil price can be explained from an economic perspective the crash in 2014, had no economic reasons. Oil prices began to fall after the US Secretary of State, John Kerry visited, the late King Abdullah of Saudi Arabia at his summer residence in September 2014 on an unscheduled visit. It was just after this visit Saudi Arabia began increasing oil production by more than 100,000 barrels daily during the rest of September. Then in the first week of November, Saudi dropped its oil price - the Arab Light, by 45 cents a barrel, this pushed oil prices to crash from \$80 a barrel. This agreement between the US and Saudi, was to hurt Russia due to what was taking place in Ukraine.

Ever since, oil prices have remained below \$60 a barrel with the recent prices dropping to below \$40 a barrel. Daily oil production is at historical highs. Today 97 mbd are being produced, in 2014 it was 93 mbd, in 2013 – 91 mbd, in 2012 - 90 million mbd and in 2011 – 88 million mbd. Most of this increase in oil production has come from the US, with some coming from Saudi Arabia. The rest of the world have either held or decreased their oil production.

Due to the economic crisis that began in 2008 the demand for oil has fallen, whilst oil production has increased. China's infrastructure development program was one of the key drivers of global economic growth, after the 2008 crisis, this has now ended, so China is consuming less oil. In the West the economic crisis and the policies of austerity are leading to oil consumption to decrease.

When there is less global demand for oil, both the US and Saudi continue to increase their oil production, which is causing the price of oil to collapse. Both of them are doing this at great personal expense. Whilst Crude oil can be produced at anything from \$1-\$7 a barrel, shale oil costs much more, estimates suggest over \$70 a barrel with better technology this can fall to \$60 a barrel. So currently the price of oil is below the cost for producing shale oil, this has the effect of causing US shale companies to make losses, and possibly go bankrupt. Saudi Arabia's oil accounts for over 92% of the nation's budget, 90% of export earnings, and 55% of GDP. Saudi Arabia needs oil prices at \$101 a barrel to balance its budget. As the oil price has been below this, Saudi actions of producing more oil is causing it to make huge losses. After years of surpluses, Saudi Arabia made its first budget deficit in 2014, in 2015 its deficit will be \$150 billion!

#### Oil price break even point



Source: IMF/Economist Intelligence Unit/Bloomberg

These losses show that both the US and Saudi must be pursuing political aims which they consider so important to even make losses and hurt their own industries and economies.

In the summer of 2013, Obama's then National Security Adviser Tom Donilon, explained in Foreign Affairs, that the surge in US domestic energy production "*allows Washington to engage in international affairs from a position of strength,*" A key example of this, he explained was "*the United States is engaged in a dual-track strategy that marshals pressure on Iran in pursuit of constructive engagement that addresses global concerns about Iran's nuclear program. As part of the pressure track, the United States has engaged in tireless diplomacy to persuade relevant nations to end or significantly reduce their consumption of Iranian oil while emphasizing to suppliers the importance of keeping the world oil market stable and well supplied. The substantial increase in oil production in the United States and elsewhere means that international sanctions and U.S. and allied*

*efforts could remove one million barrels per day of Iranian oil from the market while minimizing the burden on the rest of the world.”<sup>32</sup>*

The Middle East Eye reported in May 2015 that an OPEC official who participated in meetings with Saudi officials in 2014 said, *“The Saudis wanted a lower global oil price to undercut potential rivals who need a higher price to sustain profitability. Although the price drop would reduce Saudi export revenues, the move would still allow the Saudis to retain greater market share.”<sup>33</sup>* Russia’s Rosneft Vice President Mikhail Leontyev, highlighted; *“Prices can be manipulative...Saudi Arabia has begun making big discounts on oil. This is political manipulation, and Saudi Arabia is being manipulated, which could end badly.”<sup>34</sup>* Iranian President Hassan Rouhani alluded to this in December 2014: *“The main reason for (the oil price plunge) is a political conspiracy by certain countries against the interests of the region and the Islamic world ... Iran and people of the region will not forget such ... treachery against the interests of the Muslim world.”<sup>35</sup>*

For the US the strategy of reducing the price of oil was aimed at Russia when it invaded Crimea, and it is also a strategy to keep Russia from not going beyond what was agreed with Russia’s invasion of Syria in October 2015. The US has used Saudi Arabia to achieve one of its strategic interests. Saudi Arabia supported the US against Russia, which also allows it to hurt Iran who it competes with regionally as well as hurt the other Gulf nations who compete with Saudi in global oil production. Saudi has over \$750 billion in reserves to withstand the losses it is making for up to 10 years.

## 2015

**Global Debt and Growth** - The total burden of world debt, excluding the financial sector, has risen from 180% of global output in 2008 to 212% in 2014. Despite debt being at the centre of the 2008 economic crisis, debt remains at similar levels. Japan, Sweden and Canada lead the world with debt as a proportion of GDP. The UK remains the fourth most highly indebted major economy in the world, with total non-financial debt of 276% of GDP. The US is not far behind with debt of 264% of GDP. The real stand-out is China, which since the crisis began has seen debt spiral from a very manageable 140% of GDP to 220% and rising. This shows that the growth that has taken place during the economic crisis has been by more debt. Unless other economic drivers are found for the global economy the excessive debt cannot be worked off through growth, restraint and inflation, adjustment will eventually be forced much more divisively through default.

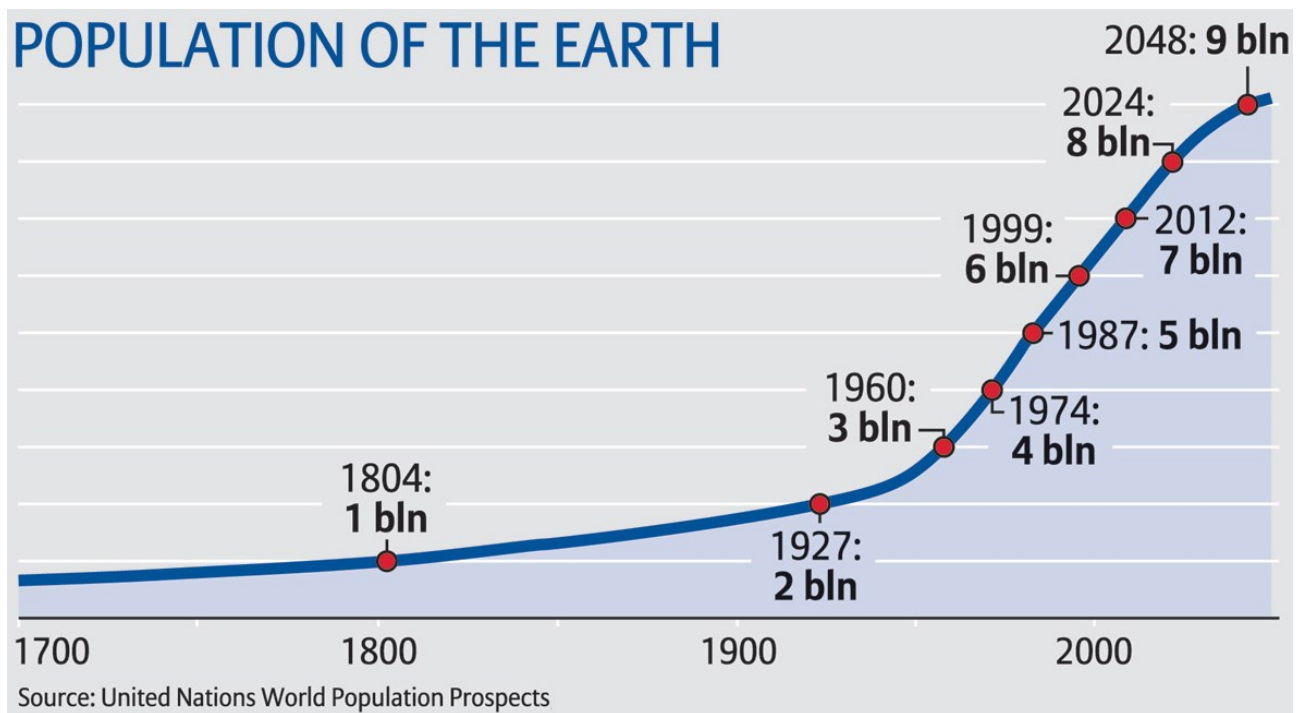
**Global Oil Prices** - The continuation of low oil prices is affecting consumers and producers in different ways and will play an important role in 2016. Producers are finding the low oil price eating into their profits and causing budget deficits. Saudi Arabia will have a budget deficit of around \$86 billion due to oil prices being so low. For oil consumers this would be a boon as it will mean oil purchases will be cheap and allow them to purchase more volume. As oil prices effect nations differently the ability of nations to put the global economic crisis behind them and pursue long term strategies will be threatened in 2016 with such uncertainty.

# Trends for the 21<sup>st</sup> Century

*Strategic Estimate* is about analysing and identifying trends in global power. In this section we analyse the key trends for the remainder of the 21<sup>st</sup> century.

## 1. Global Demographic Decline

Modern research on the genetic structure of human population suggests that nearly 15,000 years ago the world population was 15 million (the present population of Delhi, India). The population by the time of Isa (AS) over 2000 years ago had increased to 250 million (about the same as present day Indonesia). On the eve of the industrial revolution in the 18th century world population had tripled to about 700 million (double the size of current day America). In the two centuries that followed the global population increased at an annual rate of 6% reaching 2.5 billion by 1950. Between 1950 and 2000, global population doubled, from three billion to six billion. 71 million people were added annually between this period. Not only has the population of the world been growing, but the growth rate has been accelerating at a colossal rate. In the first 15 years of the 21<sup>st</sup> century the world's population reached 7.3 billion.



All the research in the last few decades accepted that the world was facing a severe population explosion. Uncontrolled population growth would outstrip scarce resources and devastate the environment. More people would require more resources in the form of food and energy, which in turn would lead to a rise in global warming and other ecological catastrophes. There was no disagreement on the basic premise that population was growing.

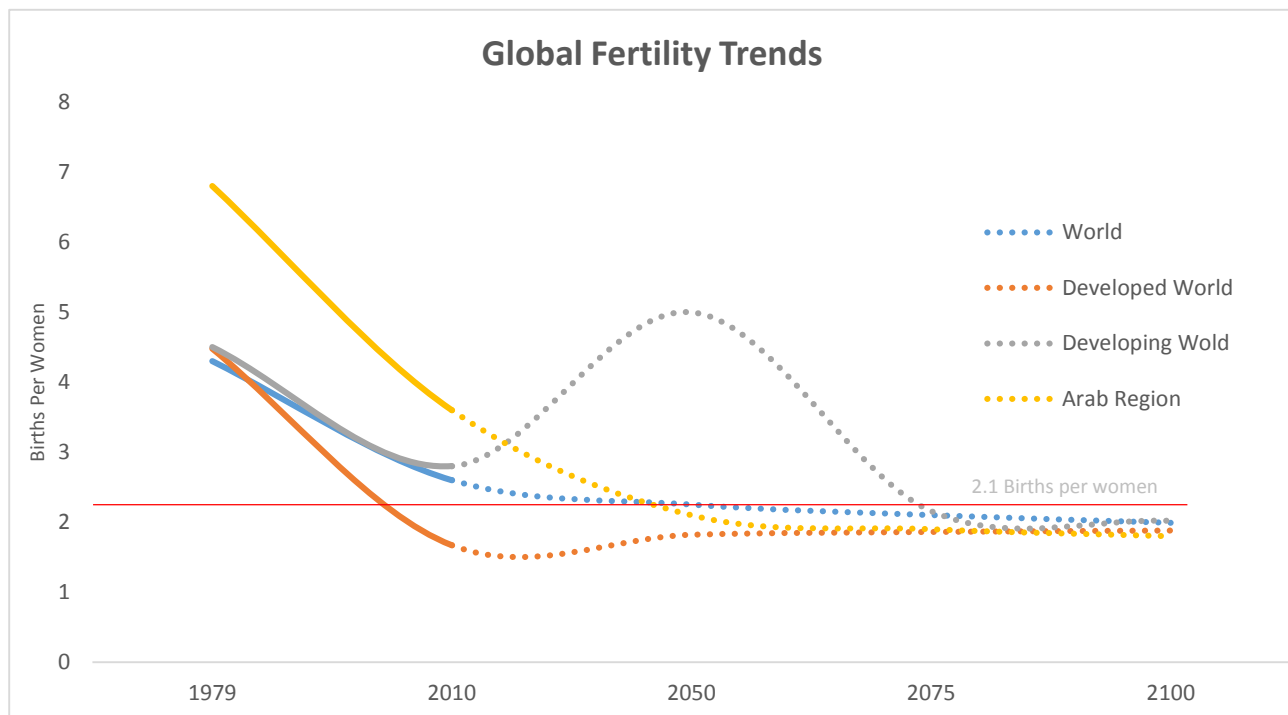
But in the 21<sup>st</sup> century growth rates are not accelerating but falling. According to the UN, between 2000 and 2050 the population will continue to grow, but only by about 50%, halving the growth rate of the previous fifty years. In the second half of the century, growth rates are anything between 0-10%. The annual increase in world population is expected to be 57 million a year on average between 2000 and 2050. This is smaller than the 71 million people added annually between 1950 and 2000. So at some point in the 21<sup>st</sup> century or soon after the colossal growth rates seen in global population will cease to exist.

We already see a change taking place in first world or developed nations. The declining birth rates has led to fewer younger workers to support the vast increase in pensioners. Europe and Japan are experiencing this problem already. Many also assumed population growth might be slowing down in Europe, but the world's total population will continue to grow because of high birth rates in the third world. But birth rates are plunging everywhere. The first world nations are on the cutting edge of the decline, but the rest of the world is following right behind them. And this demographic shift will help shape the remainder of the 21<sup>st</sup> century.

Some of the world's powers, like Germany and Russia, are going to lose large percentages of their population. Europe's population today, is 742 million people. The UN forecasts that by 2050 it will drop to somewhere between 557 and 653 million. The lower number assumes that women will average 1.6 children each. The second number assumes 2.1 children. In Europe today, the fertility rate per woman is 1.4 children.

The critical number for fertility is 2.1 births per woman. This is the number of children that each woman must have, on average, in order to maintain a generally stable world population. Anything above that number and the population grows; anything below, the population declines. According to the UN, women had an average of 4.5 children in 1970. In 2000, that number had dropped to 2.7 children. This is a dramatic drop. The UN forecasts that in 2050, the global fertility rate will decline to an average of 2.05 births per woman. That is just below the 2.1 needed for a stable world population. The UN has another forecast, based on different assumptions, where the rate is 1.6 babies per woman. So the UN, which has the best data available, is predicting that by the year 2050, population growth will be either stable or declining dramatically.

The developed nations of the world consist of 44 countries. In these countries women currently have an average of 1.6 babies each, which means that populations are already decreasing. Birth rates in the middle tier of countries such as Mexico or Turkey are down to 2.9 and falling. Even the least developed countries are down from 6.6 children per mother to 5.0 today, and expected to drop to 3.0 by 2050. In the poorest countries, such as Bangladesh or Bolivia, the birth rate is also falling, but it will take most of this century to reach 2.1 births per women. There is no doubt that birth rates are plunging. The stunning collapse in fertility rates across the world is the biggest and least reported demographic story of the past few decades. The developed world is no stranger to falling fertility. With the exception of the postwar baby boom, birth rates have been in almost uninterrupted decline for more than a century. More recently, however, fertility has also declined throughout the developing world and at an extremely rapid pace. Iran, a country that evokes images of traditional family values, has undergone one of the fastest fertility declines on record. According to UN estimates, the average number of children born to each Iranian woman has fallen from 6.6 to 2.1 over the past 25 years.



UN, 2014

The population of each nation affects all aspects of national life. A lower population affects everything from the number of troops that can fight in a war to how many people there are in the workforce. The population of a nation affects how people live, and therefore how those countries behave. Even the US has a birthrate for white women of around 1.9, meaning that the Caucasian population is contracting, but the African-American and Hispanic populations compensate for that. This means the US can maintain its population only if the white population becomes a minority in the long run. While Europe is on track to lose roughly 65 million people by 2050, the US is on track to gain 100 million. Accompanying this growth gap will be a widening generation gap. By mid-century, the median age of Japan and most European countries could be well over 50, while the median age in the US will be 41. Going forward Demography is increasingly leaning against the developed world. Back in 1950, all the major developed countries – Russia, Japan, Germany, the UK, Italy, and France – were among the world’s 10 most populous nations. In 2050, only the US will remain

Demographic challenges are usually tackled with immigration. The problem is that Japan and most European countries have severe cultural problems integrating immigrants. The Europeans have had particular problems with migrants from the Islamic world. The other solution that could mitigate the problem of decreasing population would be continuing advances in technology to increase productivity, better known as automation or robotics, but despite significant developments in these areas, they are still a long way away, from being able to solve the demographic problems the planet will be facing.

## 2. The Slow Death of the Nation State

Since the beginning of civilisation, human beings organised themselves to live in families that were part of clans and where groups of clans formed tribes. These tribes were organised along certain traits



and characteristics – nationalism, patriotism, a creed, racism and superiority are just some examples. Throughout history there sometimes emerged empires that completely transcended across such groupings, the Roman Empire being one. These groupings did not live in isolation but were forced by the dynamics of life to interact and compete with each other. This competition over wealth, resources, land, geography, honour, prestige, power and supremacy constantly led to local, regional and global wars.

These groupings eventually gave rise to the basic building block of global power today- the nation state. The modern nation state was a result of the Peace of Westphalia that ended the Thirty Years' War in Europe in 1648. The Thirty Years' War, was a series of wars beginning in 1618 because of conflicts between Protestants and Catholics and political struggles involving the Holy Roman Empire, and was fought mainly in the region we now call Germany. The impact of the wars in central Europe was devastating. The Thirty Years' War became the last major religious war in



**Treaty of Westphalia 1648**

Europe. The edicts agreed upon during the Peace of Westphalia helped lay the foundations for what was to become modern nation states, stipulating that the citizens of the respective nations should be subjected primarily to the laws and of their own governments. The nation-state became the basic governing entity and has ever since dominated global politics. Nations, rather than tribe or clan made relations with other nations and it was the executive authority, usually elected, that managed the affairs of the nation. The nation State is today central to political discourse and political analysis for most of the 20<sup>th</sup> century, the nation-state, with clearly defined borders, has been the leading political object which is considered very important in world politics. Today there around 200 nations globally and organised by ethnicity, ideology, nationalism or even religion.

But, since the collapse of the Soviet Union, globalization of the world economy made political borders less important. Strategic alliances that would have been impossible during the Cold War era have developed to allow more economic and cultural interaction. The developments in international trade, communications, air travel and the internet is challenging the pre-eminent position of the nation state.

Politicians and thinkers and nations can no longer think of themselves in the context of nationalism that gave rise to the modern nation state of the industrial era. They are now being forced to think in a new international context since globalisation means that nations can no longer think of themselves in isolation to the rest of the world. The growing interdependencies between nations driven by changes in the structure of the global economy, international relations and technological advancement are forcing people to question the nature of the nation state and social organization. Globalization captures elements of a widespread perception that there is a broadening, deepening and speeding up

of world-wide interconnectedness in all aspects of life, from the cultural to the criminal, the financial to the environmental. At issue is 'a global shift,' that is, a world being moulded, by economic and technological forces, into a shared economic and political arena. Anthony Giddens, who is considered the most prominent modern sociologist, highlighted: *"globalisation is restructuring the ways in which we live"* and *"the era of the nation state is over."*

Globalization is just one trend that has challenged the nation state. The legitimacy and effectiveness of the nation state is also being questioned. The nation state is meant to represent its people and effectively represent the national will. But in all most all nations governments represent an increasingly narrow segment of the population who possess most of the nation's wealth and thus have a disproportionate influence over the nation. Global surveys continue to show that most people felt government were not governed by the will of the people and they express little interest in national parliaments, political parties and governments. One of the main reasons for this is economic inequality because the rich have huge influence upon political leadership and political institutions. These have become undermined as governments overwhelmingly serve the interests of economic elites to the detriment of ordinary people. An Oxfam report recognized this: *"Since the late 1970s, weak regulation of the role of money in politics has permitted wealthy individuals and corporations to exert undue influence over government policy making."*<sup>36</sup> The nation state is increasingly being viewed as working for the few and thus inadequate in the 21<sup>st</sup> century.

If the primary task of the nation state is to provide for the peoples well-being and happiness - it is failing in this task. People continue to organize and are expressing their discontent with national governments across world, including some of the most democratic. There is currently a global mistrust of in national governments, as one US professor highlighted: *"the increasing inability of the political system, anchored in the nation state to represent citizens in effective practice of global governance and the ascendance of global governance as an increasingly essential component of national and local government."*<sup>37</sup> The nation state is losing out in effectiveness and popularity to other forms of governance including grass root organizations, nongovernmental organizations (NGOs) transnational corporations and movements and intergovernmental organizations (IGOs). Today, transnational collective action is challenging even these institutions and the nation state.

International NGO's have become more prolific in the last decade which is directly challenging the nation state, the authority of governments and increasingly bringing together people from different countries to work on issues which affect us all and transcend national boundaries. Their work is often sustained by young people and has been made possible, more so due to the internet and the increasing ease of international travel. Such interactions inevitably reduce ethnocentrism and enhance friendships amongst citizens from different nations, even if their governments are not so friendly with each other. This phenomena is referred to as a 'global civil society,' a trend that completely undermines the power, legitimacy and authority of the nation state.

These debates starkly demonstrate how nationalism is incompatible with the reality of life because globalisation transcends ethnicity. What this means is that nationalism was always philosophically deficient and therefore has always been unsuitable as a basis for defining one's identity.

### 3. An Asian Century?

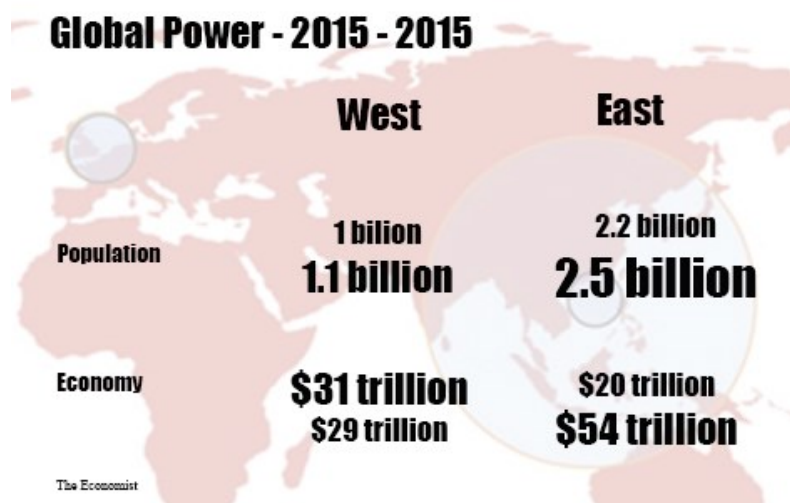
In 1492 Christopher Columbus discovered America and in 1497 when Vasco Da Gama managed to circumvent the continent of Africa and reach the East, this began the process of the emergence of the west as the centre of the world. The rise of the US expanded the west to include North America and political, economic, social, cultural as well as the global rules have been determined by the west for over 500 years. A number of trends that have been evolving in recent decades indicate the future may be an Asian century and even if current trends persist, global power may be moving from the West to the East.

The National Intelligence Estimate (NIE) stated in 2012 in its global trends 2030 report stated: *“The diffusion of power among countries will have a dramatic impact by 2030. Asia will have surpassed North America and Europe combined in terms of global power, based upon GDP, population size, military spending, and technological investment. China alone will probably have the largest economy, surpassing that of the United States a few years before 2030.”*<sup>38</sup>

The Asia-Pacific region has been the fastest-growing region in the world for the past half century. It contains two of the world’s largest economies, those of Japan and China, along with other East Asian economies. These nations export a lot of what they produce, which are shipped to the US and Europe and they import much of the raw material from the Persian Gulf and from within their own region.

Historically, global capitalism has relied on certain regions providing inexpensive manufacturing. This produced low-wage, high-growth countries like the US at the end of the 19th century. World War II reset the Japanese and German economies so that they would become low-wage, high-growth engines that were particularly efficient because of the social discipline in these countries. China is the third wave of this process in East Asia. Over the last 50 years many US and European firms have moved production to the Far East, even at the expense of their own domestic industries. The cheap electronics, textiles and consumer goods are cheap due to the fact that the East can produce them at a fraction of the cost the West can.

The demographics in Asia is expected to continue to the middle of the 21<sup>st</sup> century, though it has slowed significantly since the late 20th century. At 2.2 billion people in the beginning of the 21st century, the Asian population is predicted to grow to more than 2.5 billion by 2050. While it’s percentage of the world population is not expected to greatly change, North American and European shares of the global population are expected to decline with Germany and much of Europe already on the cusp of population decline.



It is the economic aspect that is leading many to consider the future to be Eastern rather than Western. At some point in the next 35 years China is expected to overtake the US as the world's largest economy. Europe and North America combined generate just over \$31 trillion currently, with the Asia-Pacific generating around \$20 trillion. On the current trajectory Asia-Pacific will nearly double its share of global gross domestic product (GDP) to 52% by 2050, Asia would regain the dominant economic position it held some 300 years ago, before the industrial revolution.

The West now is just one of the players on the global economic stage. It also doesn't dominate the economic model debate due to the mountains of debt, millions of unemployed. 'Asian' values such as state capitalism rather than privatisation and managed free markets are attracting credibility, especially since the global economic crisis of 2008. Interestingly people in the Asia-Pacific overall are more optimistic about their economic situation than people in the West.

Whilst the Pacific has dramatically increased its economic power, this has not seen a parallel expansion of military power. But in the last two decades China and Japan have been increasing their military power and have developed significant capabilities and will continue to do so.

The main challenge standing in the way of an Asian century is, despite a long history of civilisation and culture, today, from a values point of view, the Asia-Pacific remains is a sterile environment compared to other parts of the world. East Asia is about logistical supply chains, merchant shipping, oil tankers, middle class megacities, potential canal and land bridge projects and so on. Asia-Pacific is replete with beauty and luxurious civilizations. But these are artistic and historical subjects that, at the moment, do not stimulate a values debate, as do other parts of the world.

#### **4. Global Capitalism on Death Row**

Capitalism or Liberal values, was the fruits of the Enlightenment, which took place in the Europe. Forged during the 16<sup>th</sup> and 17<sup>th</sup> centuries in opposition to the dogmatism of the Christin Church. By the 19<sup>th</sup> century liberalism had become the established order and today many of the core values associated with liberalism are institutionalized throughout the Western world. Values such as freedom of speech, liberty, individual autonomy, freedom of ownership and democracy have become accepted at least in principle across the political spectrum. This apparent triumph of the values of liberalism stands in sharp contrast with the disintegration of the other ideologies that emerged subsequently, especially in the nineteenth and twentieth century, from Fascism to the various forms of socialism. After the collapse of the Soviet Union in 1990, liberalism was considered to be the last ideology left standing. Hence Western liberal democracy has monopolised global governance, the imposition of democratic ideals on global issues is by default. Western liberal democracy is considered the solution to all ills, it is in itself progress and modernity and everything else is dictatorship and outdated.

At the heart of Liberalism is the individual. The basic building block of the Western liberal ideology is the individual. The happiness of the individual is secured when he or she can pursue their self-interest, for Liberalism this is the primary motivation in life. After living under the arbitrary authority of the Church for centuries, men and women were finally free to live as they pleased. Naturally once freedom was attained, what else could act as a motivator except for benefit and self-interest (famously codified as 'Utilitarian Theory' by Jeremy Bentham).

The thinkers who called for freedom argued that human beings should be free to pursue their own happiness without facing any form of coercion or undue influence. Historically, in the context of Europe, widespread coercion usually stemmed from a religious authority. As political freedom meant people being free, particularly from religious and government influence, to maximise their personal benefit, it was only natural for a believer in freedom to seek to establish Secularism as the only form of legislation. Political freedom in Secular societies is therefore the right to legislate to maximise individual freedoms. In this case, the question of the existence of a Creator inevitably becomes irrelevant when it comes to politics and legislation. The US Declaration of Independence of 1776 first established freedom (liberty) as its basis: *"We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness"* Thus, a government exists to secure the rights of the people. Its purpose is to facilitate their attempts to increase personal benefit (utility). In short, justice according to Western liberal values is the protection of the individual freedoms of speech, belief, expression and ownership.

But the western world is seeing a huge increase in crime, promiscuity, depression and a host of other social and economic ills that are just getting worse as the years go by. If we look at the bulk of these problems, one can see that the legislation or solutions that are passed is catering for problems caused by liberal values themselves.

The Social decay of western societies is something many constantly speak about and has only gained more attention as matters get worse. Relationships between people and between genders are central to any society and western liberal values tackled this by protecting the right of all individuals to determine their own relationships and the actions they want to engage in. By individuals determining how to fulfil their needs, (not from another source, such as God) this would be the best way to achieve happiness. Since the 1960's marriage was separated from sex, homosexuality was legalised as well as pornography, all in the name of protecting the rights of individuals to engage in such acts. With much of the western world viewing life through the lens of self-interest the individual freedoms have led to high crime rates, anti-social behaviour and violence, relationship breakdowns, sexual permissiveness and sexually transmitted diseases (STDs).

Capitalism dominates economics today, which led to freedom of ownership to dominate every aspect of economics. Perpetual economic growth came to be designated as the *raison d'être* for liberal economies. But this has now created history's greatest ever wealth fault line. In 2006 the World Institute for Development Economics Research of the UN released the culmination of a global study. A number of its findings are staggering. By gathering research from countries all over the world the study concluded that the richest 1% of the world owns 40% of the planet's wealth and that only 10% of the world's population owned 85% of the world's assets.<sup>39</sup> Richard Robbins in his award winning book *'Global Problems and the Culture of Capitalism'* confirmed this when he said: *'The emergence of Capitalism represents a culture that is in many ways is the most successful that has ever been deployed in terms of accommodating large numbers of individuals in relative and absolute comfort and luxury. It has not been as successful, however, in integrating all in equal measure, and its failure here remains one of its major problems.'* Perpetual economic growth i.e. wealth creation has failed to distribute wealth in any equitable manner and created the inequality problem in the world.

Perpetual economic growth was one of the reasons that led to the rapid industrialisation in the 18<sup>th</sup> century. The emissions from factories and then the rapid increase in the use of coal, then oil and eventually gas for energy led to global emissions to frantically increase. There is broadly an agreement that these fossil emissions i.e. human activity has led to a rise in global temperatures and is causing the widespread climate problems. As Capitalism placed perpetual economic growth as the overwhelming purpose of a liberal economy, cutting emissions, though reducing production is taboo as this would halt economic growth. This is why emission reduction targets are voluntary and each meeting on climate change merely ends with discussions on when more efficient technology would be available that maintains current economic level with less emission levels. Global warming has been caused by the need to perpetually grow, a central tenant of liberal economic thought, solving it is impossible as it would entail contradicting this central value, this is why no solution has been reached.

Democracy started as an experiment in Athens over two thousand years ago and eventually pervaded every continent and every land. Democracy means different things to different people, Western secular societies do not have a monopoly on claiming democracy as their own. Many communist countries during the Cold War era described themselves as democratic republics; and even Saddam Hussein's Iraq had presidential elections. Others view democracy as more than just elections - that democracies should be characterised by other values and institutions. That alongside regular elections there must be liberal values, a functioning legislative chamber, a vibrant opposition, a free media, civil society and an independent judiciary. However whatever the minute differences, all those who believe in democracy take the political system that institutionalises legislative sovereignty - in either the people directly - or in their elected representatives to be the basis – i.e. the ability to choose and enact legislation is the key characteristic of democracy.

But today democracy is drowning in its own theoretical foundations. Whilst all would agree that their leaders should be elected, the reality of democracy is that regular elections favour those with money and adversely impact tough long-term decision making. The frequency of elections has come to bias politicians against tackling long-term challenges and instead to focus on short-term popularity. The more elections there are the more national democracies have become poisoned with money and short term thinking. This is why Winston Churchill observed in 1947: *“No-one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of Government except all those other forms that have been tried from time to time,”*

Legislative sovereignty is at the very heart of Western civilisation, the ability to create one's own laws, change them and adapt them is held high as one of the bedrocks of liberal democracies. This is why we find after the events of 9/11 Western Europe has suspended some key principles and rights. We have seen the suspension of the presumption of innocence, the right to a fair trial and the right to be aware of the evidence that is being used to imprison you. These key rights, enshrined in Western maxims and used to extract other laws have been altered at will, even though they are supposed to be the bedrock of Western political tradition. Whilst corruption, scandals, the influence of special interest groups and lobbyists has been highlighted by many as serious problems in democracies, there are fundamental problems with the concept of democracy. As is becoming clear, majority decisions do not necessarily make good laws, the idea of numerical majorities legislating what is fundamentally allowed and what is prohibited and the ability to change laws is producing very toxic laws.

In all these examples it can be seen that solving human problems is equated to protecting the individual freedoms. As a result the nature of the secular, liberal ideology is to adapt and include new problems and legislate to accept them. Hence, homosexuality, prostitution, drug abuse were all solved by accepting the legitimacy of these actions, not by addressing the roots of the problems. In another example liberal democracies never resolved nationalism, but accepted its existence and institutionalised it, under freedom of belief, despite its devastating results. If we look at the bulk of these problems, we will find that the legislation is catering for problems caused by the freedoms. The society is legislating against individualism taken further and further.

The individual freedoms have caused serious social problems, as was highlighted by Alex Jones of the US: *“The United States is rapidly becoming a cesspool of liars, thieves, murderers, perverts and psychopaths.....The reason why I write about this stuff is because there is never going to be any hope of a turnaround in this country until we take a good, long look in the mirror and admit how far we have fallen. Yes, a lot of these things are almost too horrible to talk about, but as a nation we must understand how bad things have become. There is evidence of extreme social decay all around us, and it is steadily eating away at the very foundations of our Republic.”*<sup>40</sup>

In the past few years extreme climatic, social, economic and political conditions have all converged to put Western civilisation under extreme strain and it has been often exposed to have little or no clue on how to resolve the multitude of problems that stem from the interdependencies of these extreme conditions. The ruling spheres will never allow the basis of the system to be questioned, for their very existence as ruling elites is at stake. As a result the elites have in almost all cases adapted and used public opinion to legitimise an activity which they are unable to solve i.e. legislate to accept the problem, not solve it. The provision of free and clean needles to drugs abusers to prevent the spread of AIDS is an example of this.

The secular vision of society that is being composed of individuals, with the role of state to prevent individuals from impinging on the freedoms of other people is leading individuals to take their understanding of individualism to greater limits. Taken to its extreme, western societies will revert to anarchy where might is right.

Whilst there are numerous evidences for this already, questioning and linking the problems to the freedoms is not taking place currently. But as the problems multiply, as we go forward and individualism is taken further to the extreme the contradictions should become clear. Weather this happens in the 21<sup>st</sup> century remains to be seen, but an ideological challenge from a movement or state would precipitate this as the values causing the problems can be clearly evidenced.

## **5. Can the EU Survive?**

The project to unite Europe began in earnest after WW2, but in the 21<sup>st</sup> century it is struggling for survival. The European Union (EU) was created due to the history of Europe, especially its history of war.



Europe's long history of war is what a union of Europe was attempting to solve. Europe had been constantly at war, which had ravaged the continent. Before the emergence of the nation state and nationalism in Europe the Christian Church dominated the continents political landscape. The churches corruption and the fact that the bible only dealt with limited matters led to constant conflict, leading to religious wars in 1600, which came to be known as the reformation. Over a 31 year period (1914-1945), both World Wars took place in Europe and led to unprecedented slaughter.

The emergence of Germany in 1871 drove it to conquer large chunks of Europe and challenge the British Empire. When WW1 ended in 1918, 20 million people perished, due to trench warfare and chemical weapons. In 1939 Hitler attempted to conquer Europe and over 50 million people perished. Even prior to the world wars Napoleon tried to conquer Europe from 1803 – 1815 in the Napoleonic wars, were over 3 million people perished.

The wars that had ravaged Europe needed a solution and this was where a union in Europe first emerged. It was believed Europe could overcome nationalism through creating a structure in which Europe act as a union of states. In 1950 the French Foreign Minister Robert Schuman proposed a community to integrate the coal and steel industries of Europe - two elements necessary to make weapons for war. In the text of the treaty he laid out the reasons for a European Union: *“a first step in the federation of Europe, starting with the aim of eliminating the possibility of further wars between its member states by means of pooling the national heavy industries.”* France, Italy, Belgium, Netherlands, West Germany and Luxembourg signed the Treaty of Paris in 1951, creating the

European Coal and Steel Community. This set in motions six decades of integration within Europe. The assumption was that whoever would join the union would cede national sovereignty to institutions within the EU managed by technocrats.

In the intervening years the EU has grown in size by the accession of new member states, and in power by the



addition of policy areas to its remit. The Maastricht Treaty established the European Union under its current name in 1993. The most recent amendment to the constitutional basis of the EU, the Treaty of Lisbon, came into force in 2009. The eurozone are those EU member states who surrendered their monetary policy to the European Central Bank (ECB). The 10 EU members such as the UK and Denmark who did not join the eurozone expressly negotiated clauses into existing treaties that granted them legal exemption from ever joining the eurozone. So today the European Union – the EU is an economic and political union, which today consists of 28 member states. The Eurozone on the other hand are 17 of the 28 EU member states who took the union a step further and adopted the Euro as the single currency amongst them.

The EU attempted to overcome centuries of hostile history thorough a political and economic union. The EU emerged with the goal of creating a system of interdependency in which war in Europe was impossible. Given European history, this was an extraordinarily ambitious project, as war and Europe have gone hand in hand. The idea was that with Germany intimately linked to France, the possibility of significant European conflict could be managed. Underpinning this idea was the concept that the problem of Europe was the problem of nationalism. Unless Europe's nationalisms were tamed, war would break out. The European Union tried to solve the problem by retaining both national identity and national regimes. Simultaneously, a broader European identity was conceived based on a set of principles, and above all, on the idea of a single European economy binding together disparate nations. The reasoning was that if the European Union provided the foundation for European prosperity, then the continued existence of nations in Europe would not challenge the European Union.

Practically the union created a Common Market where the free movement of goods, services and capital would take place without limitations in Europe. Tariffs would be equalized within the union over time, making trade within the union as if the continent was one nation. The union's most controversial aspect has been the elimination of border controls within Europe, so people could move and work freely in Europe and for the security of the union a European defence force was proposed.

But the Sovereign debt crisis is challenging every aspect of the European Union and has brought the spectre of nationalism back to the surface. The principle of the free movement of people, one of the pillars of the EU was enshrined in the Schengen Treaty where internal border controls were eliminated, whilst external borders were reinforced. Today aside from the UK and Ireland, 26 of the EU nations signed the agreement. It also includes nations such as Switzerland, Norway, Iceland and Romania and Bulgaria, when they were candidate nations. Overtime this treaty became the most visible symbols of the EU. But the chaos in the Middle East generated a flow of refugees towards Europe, especially



from Syria. Numerous refugees made the long journey through Greece and the Balkans in an attempt to get to Germany. The German initial message of welcome quickly turned to 'no more welcome.' But the influx of so many refugees has led to problems within and between EU member states. This has led to some nations, such as Slovenia, building fences to stem the flow of refugees, directly in contravention of the Schengen Treaty. Some nations are thinking about post Schengen. In 2015 the Dutch government discussed plans to create a smaller version which would only include, Holland, Belgium, Luxemburg Germany and Austria. These countries share cultural links and were the Holy Roman Empire in the late 18<sup>th</sup> century.

What is taking place in Europe is as the economic crisis reached its peak, prosperity just exposed the divisions between north and south of Europe and the fact that nationalism is imbedded in every negotiation.

The fundamental problem is the EU never really solved nationalism, which has been its curse. Merely creating an economic bloc does not do away with centuries of differences. The EU in fact just institutionalized nationalism and tried to make it more manageable, so whilst Europe has not been in a large scale conflict since WW2, nationalism is everywhere within the EU. The European Union has today expanded well beyond its original founder states. Consensus on how far enlargement should go and how deep integration should be continues to plague the union. Member states are reluctant to relinquish their sovereignty to bureaucrats in Brussels, nationalism between member states is rife within the union.

France, Germany and Britain have dominated European history, whilst they colonised the world much of central and Eastern Europe was on the receiving end of colonial expansion. As a result whilst Europe went through the enlightenment and as a continent challenged the Christian church, Europe's common history ends here. All European states have differing identities and this continued obstacle means the powerful nations within the EU are pulling the union in a direction different to the other member states.

The EU recognizes the sovereignty of constituent nations it just says on some issues the union should act as a bloc, this is the door through which nationalism penetrates the union. Fundamentally a union of smaller states into a larger political union is a weak method of amalgamation. It lacks the characteristics found in full unification where a people become one nation

It is unlikely the EU will survive in its current form. Many also argue that there is a good chance the EU will not survive at all. Talks of a two tier EU, one with the stronger northern nations and another with the weaker Southern nations. The reality is there is already a two-tier Eurozone just as there is a two tier European Union. To a large extent the problems the Eurozone faces is because of the economic divergence between the top and bottom tiers who are forcibly bound together by the single currency. The only thing really holding the union together is Germany, who benefits immensely from the union, but there will be nothing Germany can do if the forces of nationalism lead to another war on the continent.

## 6. The End of the American Century?

In 1941, in an influential essay, Henry Luce coined the term the ‘American century.’ In the years since, the US economy propelled global trade and economic growth. In science and technology the US was at the leading edge of innovation and discovery. America’s democratic institutions and education system served as beacons for the whole world.

During the Cold War the US and the Soviet Union stood head and shoulders above the rest of the world and much of the world was divided in loyalty between the then Western and Eastern camps. However, after the demise of the Soviet Union in 1991, America found herself in unique position—she was not only the world’s leading state but also the world’s lone superpower, the US possessed unprecedented global power and at her disposal was able to shape almost every political landscape. It was this new reality that led to the famous thinker Francis Fukuyama to unequivocally proclaim that Western liberalism had triumphed over all other systems.

Throughout the 1990’s the relentless expansion of the European Union and NATO expanded into post-soviet spaces like the Balkans. The US managed the disintegration of Yugoslavia and marginalized both Europe and Russia. In Africa too, America made huge strides in eclipsing the wings of old Europe. Military incursion in Somalia, Zaire (Congo), Liberia marked the beginning of campaigns to shrink British and French influence in Africa. The US administration opened up many parts of the world to American multinationals through globalisation and free trade. So emphatic was America’s supremacy that it prompted France’s Foreign Minister to use the term hyper-power to describe America’s pre-eminence in the world.<sup>41</sup>



The beginning of the 21st century saw the continuation of American preponderance. But the Bush administration and the neoconservatives had different ideas on how best to use American power and unilateralism to shape American interests around the globe. They believed multilateral institutions were an unnecessary hindrance to US power and regime change was the appropriate use of America’s might. The arrogance and momentum in the favour of American exceptionalism eventually evaporated and soon after the fall of Baghdad in April 2003, America was embroiled in a protracted guerrilla war that exposed its racist worldview. The Abu Ghraib episode in 2004 epitomised what American values stood for in practice. Just as America’s political elite was mulling over the damage done by the Iraq war to America’s global supremacy, the global financial crisis struck in the summer of 2008. The ferocity of the economic crisis further rattled America and shook the confidence of both its intelligentsia and its people.

In the immediate aftermath of the global economic crisis, America’s decline became a subject of heated discussion and debate. Broadly speaking two camps emerged. In the first camp the common



view was that America's decline was a permanent feature of the international order. However, what was in dispute was the severity of the decline. In 2008, the US National Intelligence Council admitted for the first time that America's global power was indeed on a declining trajectory. In one of its periodic futuristic reports, *Global Trends 2025*, the Council cited *"the transfer of global wealth and economic power now under way, roughly from West to East"* and *"without precedent in modern history,"* as the primary factor in the decline of the *"United States' relative strength—even in the military realm."*<sup>42</sup> Then there is the other camp, where adherents espouse the view that America's decline is reversible. Some of America's most formidable thinkers can be found in this camp. For instance Brzezinski still maintains that America can revitalise itself to meet the current challenges facing America.

In May 2014, US President Barack Obama, speaking before graduates at America's West Point military academy made a telling remark about the predicament America faces in the international arena. He said, *"America must always lead on the world stage. If we don't, no one else will. The military that you have joined is, and always will be, the backbone of that leadership. But U.S. military action cannot be the only – or even primary – component of our leadership in every instance. Just because we have the best hammer does not mean that every problem is a nail."*<sup>43</sup> The statement clearly showed that America has relied too much on military power as opposed to diplomacy and political solutions to maintain its position as the world's only leading state. Over the past decade America has increasingly resorted to military power to resolve complex political problems, and this in turn has diminished America's political influence around the world. Political influence is necessary to not only synthesise political solutions but also to implement them. What is meant by America's political influence is the ability of America to change the behaviour of other nations to accept and implement political solutions produced by America. In practice, political influence translates into America's capacity to control any given country: the ruler, the government, the political medium, state institutions (such as the judiciary, civil service etc.) and the army with the primary purpose of ensuring the population does not oppose political solutions either inspired or dictated to by America.

This waning in political influence can be seen from the international issues the US has been involved in since the 21<sup>st</sup> century began. When George W Bush stood in front of the banner "Mission Accomplished" on board the Abraham Lincoln aircraft carrier giving his Iraq victory speech. The victory speech belied the barefaced reality of guerrilla warfare that had engulfed America and her allies. America quickly found itself mired in an Iraqi quagmire and the grandiose



political objectives of bringing democracy to Iraq, was quickly abandoned. The US struggled to solve the very basic of Iraq's problems - providing security and a functioning government. When the dust finally settled and America was able to hand-pick men to run Iraq's shaky government, fragile institutions and ill-equipped army, America withdrew from Iraq leaving behind chaos and instability.

Despite controlling all the levers of the Iraqi state, America's political influence was negligible when it came to solving Iraq's biggest problem—instability. Iraq is a classic example where America has used maximum military force, but has failed politically.

Similarly in Afghanistan, in military terms America has failed to defeat the Taliban. But America's failure on the political front is far greater. Ever since the days of the Bonn Conference in 2001, America struggled to form a functioning Afghan government whose writ can extend beyond Kabul. In 2012, at a NATO summit in Chicago, America and her allies accepted defeat. The joint communiqué issued expressed the collective desire of all the NATO countries to draw the curtain on their Afghan misadventure. The statement read: *"After ten years of war and with the global economy reeling, the nations of the West no longer want to pay, either in treasure or in lives, the costs of their efforts in a place that for centuries has resisted foreign attempts to tame it."*<sup>44</sup>

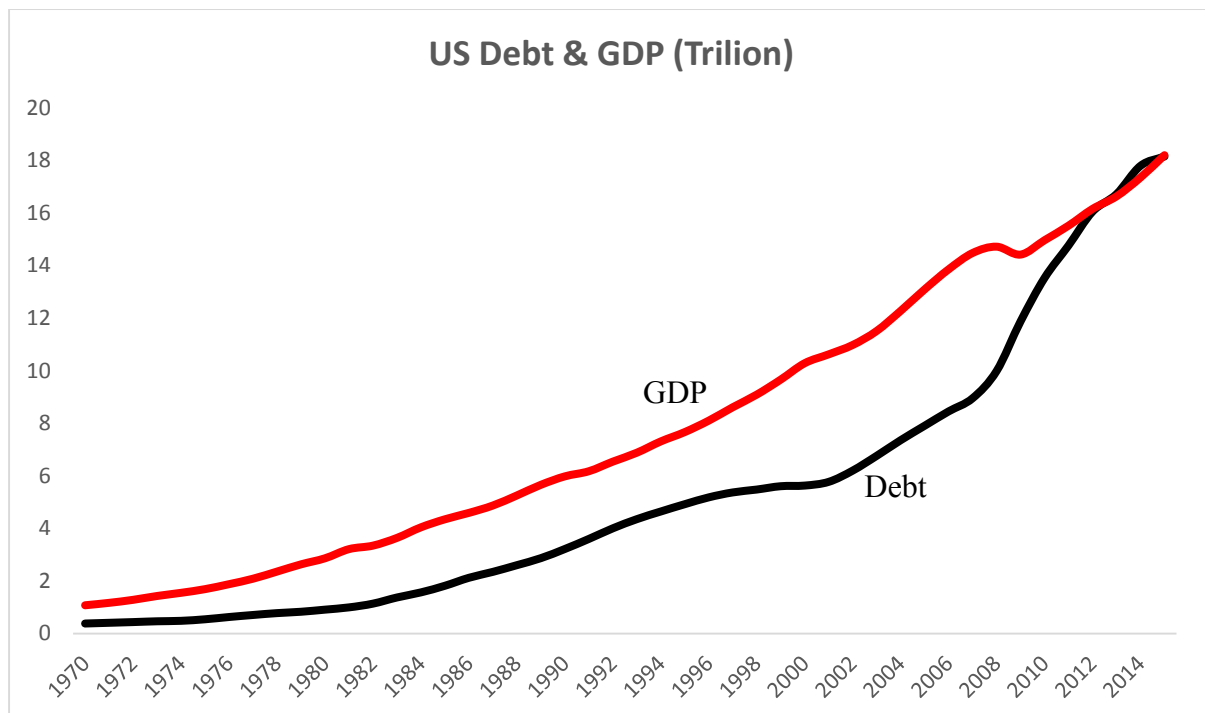
America's political failures are not just limited to the Middle East, In Africa, America's performance at political influence is just as bad. The New York Times had this to say: *"South Sudan is in many ways an American creation, carved out of war-torn Sudan in a referendum largely orchestrated by the United States, its fragile institutions nurtured with billions of dollars in American aid. But a murky, vicious conflict there has left the Obama administration scrambling to prevent the unravelling of a major American achievement in Africa."*<sup>45</sup>

The demise in America's political influence abroad accelerated after Bush's invasion of Iraq in 2003, and, by all accounts, it was poor political decisions that carried enormous implications for US foreign policy. The waning of America's political influence comes at a time when America's military power is at its apex. Yet despite this, America is not able to convert its military success into political gains. America is very good at destroying countries, but extremely poor at nation building. In places where America's political influence is waning, America faces either a political challenge from a major power, like in the situation of Ukraine, or from the indigenous population, in the form of political revival led by political movements. The majority of the Muslim world falls into the latter category. In comparison to the 1980s and 1990s, America has not enjoyed a single foreign policy success of any repute since 2003. The few political successes America managed to score, quickly turned into failures - some became nightmares of epic proportions.

On the foreign policy front America is in trouble, but all of this pales in comparison to the domestic problems and challenges it faces. The problem the US faces both domestically and internationally are so serious, long term and systemic that the slide in American power and influence cannot be reversed by a simple change in political leadership and is likely to increase in the coming years. September 11, George W Bush and the Iraq war simply pushed the US past tipping point. The crux of America's problem is economic as much of its power and influence is a function of its economy. America has long had an economy that is unsustainable.

US debt has reached astronomical proportions. Since 1970, the federal budget has run a deficit in almost all years, which has increased the national debt. In 1985 the US government debt was \$1.8 trillion, today it has risen to \$18.7 trillion. The debt is more than the country's GDP. This deficit and debt has created other problems, as the debt has increased the interest on it has also increased and is taking up more and more of the US budget rather than investment by the government that would

sustain economic activity. In 2005 the US was paying \$353 billion in interest. This was eating up 14% of the national budget and is more than education and infrastructure combined. Today interest payments constitute over \$500 billion. The US currently borrows to repay this debt interest.



But these large and alarming debt numbers considerably understate the real extent of the problem as they do not include ‘unfunded liabilities.’ These are future government expenditure – primarily social security and Medicare, which future government revenues will pay for but no money has been set aside for them. The US Treasury department has calculated unfunded liability to stand at \$100 trillion today. This problem is fundamentally because the US spends well in excess of its means, its long term obligations are not matched by its tax revenues.

The US budget deficit is just one side of the ‘twin deficits,’ the US economy is structurally unsustainable as the US public consume beyond their means. The trade deficit – i.e. the amount the US imports over its exports, which is running at \$850 billion annually, is because the American public is consuming more than it is producing. US industry constitutes around 17% of the economy, but services dominates the US economy, due to the financialization of the US. So banks, mortgage companies, loan agencies and credit card companies drive the US economy and they make money from lending money and getting those already in debt to borrow even more. The government debt and trade deficit have been for short term advantages and for consumer goods that would be considered luxuries everywhere else in the world. The government budget is being consumed more and more by defence, which does little to address domestic economic health, social health and stability.

US economic success has been built on a foundation of sand. The national wealth is illusory because it has been purchased on borrowed money. Because half of US debt has been by foreign nations lending the US money through purchasing US treasury notes, the moment these countries doubt the US ability to repay, this source will dry up. More and more of US spending is being spent on its

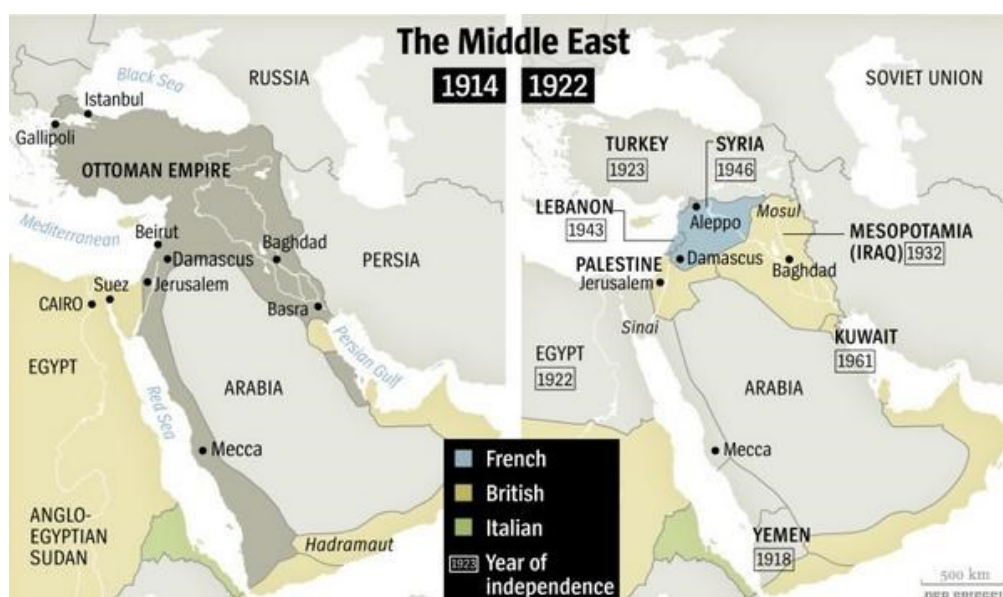


military at the expense of national infrastructure, health, social welfare and education, in fact these areas are in such poor condition, with national infrastructure decapitated, all due to the military getting the lion's share of the budget at the expense of the important areas which contribute to economic vitality and national strength. Despite overwhelming military power, this proved to be useless in Iraq and Afghanistan. David Mason, Professor Emeritus of Political Science at Butler University highlighted in his book, *The End of the American century,* 'the systemic problem confronting the US: "Individualism and materialism are central to American culture, been part of American sense of identity....but both can be carried to excess, a phenomenon that is recognised and censured by virtually every major philosophy and religion in the world. In the US, which was virtually founded on these principles, they themselves have become a religion. And this is the root of the problem. The zeal for the individual and material has marginalised community and humanity as substantial costs both to the US and the rest of the world."'<sup>46</sup>

It remains to be seen when the sun will set on the American century, as even the British Empire was able to last for decades after the decline had begun. For the British the Boer War and Suez confirmed imperial overstretch. For the US the deserts around the Euphrates and Tigris will in all likelihood come to be seen as the beginning of the end of the American Century.

## 7. An Islamic Century?

The Middle East and much of the wider Muslim world has been under virtual western occupation for over 100 years, whether it is direct colonisation or through lackey monarchies, autocrats and dictators. When the artificial borders were created in the Sykes-Picot Agreement 100 years ago in 1915-1916, new nationalities, or nationalism was hoped would give the region new identities to move forward with. Any deviation from this – the autocratic rulers would bring the people back in line. The assumption was Islamic governance had been undermined and the people of the region would embrace secularism when it came to governance and keep Islam to the mosque, marriages and personal morals. Whilst the Muslim world experimented with socialism, democracy and nationalism in the past 100 years, the next 100 years will see the culmination of three trends that have been gaining speed for decades. These are the increasing use of Islam as a reference by Muslims rather than 'Freedom' or 'secularism,' the failure of nationalism and the illegitimacy of the rulers.



A scrutiny of the created nations through the Sykes-Picot Agreement shows that they were artificial constructs with no coherent value system. Muslim societies at the turn of the 20<sup>th</sup> century were fractured on what values should be the basis of society. In some cases, one would have found some issues amongst the people being settled according to Islamic concepts; in other cases, they were settled upon liberal and even nationalistic ideas. In fact, many of the problems such as poverty, unemployment, development, male and female relations etc were even settled according to local customs and even tribal judgements. Hence, the nations that were artificially created couldn't move forward (progress) since the Muslims were attempting to deal with societal problems in multiple ways rather than a single agreed upon basis, this is what resulted in the myriad of problems at the time. By not having a consistent reference point, the artificially created nations were disjointed and the various nations as a whole failed to move in a unified direction. Despite the colonial onslaught, Muslims did not adopt or embrace liberal values as a basis for their nations. One example of this is that despite the best efforts of the West in spreading its foreign culture, like the pursuit of individual freedom as a purpose for life in the Muslim lands we find that Muslims did not give up the social system of Islam. So, despite Islam not being completely clear in the minds of the people in the Middle East, the Muslims of the region did not abandon Islam as her identity.

Despite the Muslim world lacking the ability to extract pristine concepts from Islamic principles, the demand for Islam has only grown during the last 100 years. Turkey was the only country to renounce Islam completely in its constitution. Mustafa Kemal sought to destroy Islam in Turkey and he believed the Turkish people despised their Islamic heritage. However, after just a few decades, pressure on the regime mounted steadily and by the 1950's successive Turkish governments started to play up Islamic sentiments in order to maintain their grip on power. By the 1970's Turkey had its first sign of Islamic resurgence with the incorporation of Necmettin Erbakan in the cabinet. Erbakan like many of the Muslim rulers utilised Islam to gain support from the masses. In the 21<sup>st</sup> century, the people of Turkey have only voted for an 'Islamic' government. This is what led to then US Secretary of State Madeleine Albright to wring her hands about the *'drift of Turkey away from secularism.'*<sup>47</sup> Despite secularism dominating Turkish politics, for so long, the people of Turkey have been inclining towards Islam for decades — a far cry from the events post 1924.

The Turkish example is just one of many; Islamic influence in Algeria was so great in 1991 that the Islamic Salvation Front (FIS) managed to win a landslide victory in the country's elections. It took the army, with French support to reverse this. Similarly, the people's love of Islam in Afghanistan, Sudan and Somalia saw the establishment of governments under the pretext of Islam. For the last few decades Muslims across the world are reacting as one body to the onslaught against their brothers and sisters. Iraq, Afghanistan, Bosnia, Somalia, Palestine and Rohingya Muslim in Thailand have seen Muslims from across the world held marches and rallies in solidarity with their brothers and sisters. In fact even the Muslims in Palestine, themselves under occupation, have regularly held rallies in support for other Muslims. Muslims feel revulsion when 'freedom of expression' is used to attack Islam, as can be seen with the attacks on the Prophet of Islam (saw) via cartoon depictions in Europe.

The West dealt with this situation through supporting autocratic rulers in the region who used brutal methods of force and torture to subjugate the masses. But the widening gulf eventually gave way to the Arab Spring in 2011, which caused the overthrow of numerous long term dictators. The regimes

today, which have always been the first line of defence for the West are weaker today and the masses are stronger, and hence the future of the Middle East is firmly underway.

Survey after survey has also shown the people of the region want Islam, something indigenous to the region, to play a central role in governance. The Pew Research Centre in Washington, 2013 survey found that support for Shari'ah as the official law of the land was well above 50%. Especially in Iraq 91%, and the Palestinian territories 89%. Only in Lebanon does opinion lean in the opposite direction at 29%.<sup>48</sup> Similarly a Gallup poll in 2006 titled Islam and democracy, gathered data from 10 predominantly Muslim countries and found in places such as Jordan and Egypt the demand for Shari'ah as a source of legislation was in the 80% range.<sup>49</sup> The Muslims in the region that constitute 97% of the population want to see their beliefs represented in the legislation and governance of their countries. For long the Muslim rulers played lip service to the demands of the people and by oppressing those that organised into groups to call for Islam. But with the fall of long term dictators such as Hosni Mubarak, this is no longer a sustainable policy.

Nationalism failed due to the artificial nature of the countries created for the Middle East. Its contradiction to Islamic unity also contributed to its failure. The Muslim rulers, as the West's main instrument of defence, has been exposed and undermined as the masses saw them as diametrically opposite to how they viewed the future. Direct western invasion of the Middle East proved how desperate the situation became. Looking forward over the next 100 years the battle between the rulers alongside the West and the Muslim masses is set to only get intense as the Muslim masses want a future which is directly the opposite to the West and the Muslim rulers.

## **8. China: Pretender or Contender**

In December 2014 the US officially lost the title of the world's largest economy, a title it had held for every year since 1872. The measurement the IMF used was Purchasing Power Parity, which enables you to compare how much you can buy for your money in different countries. As money goes further in China than in the US, China's economy is larger. But aside from such intricacies, economic power has been a central tenant for any aspiring power, alongside military and political power.

Most analysts believe by 2050 China will be larger than the US in dollar terms and at some point in the 21<sup>st</sup> century will replace the US as the global superpower. The US public and many of its politicians believe the US is rapidly losing ground to China and it is just a matter of time when China emerges as America's heir.<sup>50</sup>

There remain many question marks over whether China can really replace the US, as in its 4 millennia history, China has never been a power and it remained in all its history in wars between different dynasties to unite the nation. Today China is united, it is a rapidly developing economy, and the key question is, is this time different?

After three decades of phenomenal growth China has become the industrial factory of the world, producing many of the world's consumer items. Domestically, government investment and exports are the twin engines of the economy. In the last decade China has moved 700 million of its citizens out of poverty. China's growth has come from both huge state investment in infrastructure and heavy

industry. 159 large state owned enterprises provide key inputs from utilities, heavy industries and energy resources that facilitate the private sector. The aggressive outward investment strategy, driven by state-owned enterprises and state banks with massive pools of cash have allowed China to spread across the world looking to expand markets, employ their services and buy up resources.

Unlike Russia who views power as primarily military, China views power as an economic issue i.e. economic progress leads to power. But the economic model that propelled China to become the world's largest economy, i.e. low wages and aggressive exports, was exposed in the global economic crisis in 2008, as it relied upon the world to continue importing Chinese goods. The Chinese Communist party picked up the slack and began massive infrastructure spending, but this was never sustainable. The Chinese leadership realised its economic model had reached an end and numerous painful changes would need to be made, just to maintain what China has achieved. Cultivating domestic consumption rather than a relying on exports is now official Chinese policy.

Whilst British and US power rested on their control of the oceans, China is looking to revive the old Silk route to end the dominance of ocean powers. At 4,000 miles long, the Silk route passed through a chain of empires and civilizations and connected China to Europe. Today, China is planning to revive the Silk Road with modern transit corridors. This includes high-speed rail lines, modern highways, fiber-optic cables, energy pipelines, seaports, and airports. They will link the Atlantic shores of Europe with the Pacific shores of Asia. If all goes according to plan, it will be a reality by



2025. A train from Beijing would reach London in only two days. The New Silk Road is history's biggest infrastructure project. It aims to completely redraw the world economic map. And, if completed, it has the potential to be the biggest geopolitical game-changer in hundreds of years.

On the military front China has undergone considerable development. Mao's doctrine of 'human wave attacks' - having more soldiers than your enemy has bullets has been replaced with a smaller armed force emphasizing new technologies. When evaluating a force, it is important to measure it against the mission it is trying to accomplish and against the adversarial force it may face, as well as its ability to effectively coordinate and support its assets. The Chinese military is today expanding from a very low capacity, as its military, historically has been primarily configured as a domestic security force, which has been a necessity due to the country's history of internal tensions. Even today China's military is characterized by the predominance of the ground forces over the air and naval forces. The Chinese military is not trying to match the US military in global capabilities. For China, its primary interest is its own region, where there are numerous security issues at play, even excluding the US.

Since 1996, the Chinese military has made tremendous strides, and, despite improvements to the US military, the net change in capabilities is moving in favour of China. Some aspects of Chinese military modernization, such as improvements to ballistic missiles, fighter aircraft, and attack submarines, have come extraordinarily quickly by any reasonable historical standard. A RAND analysis in September 2015 concluded: *"The PLA is not close to catching up to the US military in terms of aggregate capabilities, but it does not need to catch up to the United States to dominate its immediate periphery. The advantages conferred by proximity severely complicate U.S. military tasks while providing major advantages to the PLA. This is the central finding of this study and highlights the value of campaign analysis, rather than more abstract assessments of capabilities."*<sup>51</sup>

It should be remembered that despite Chinese military developments On October 9th, 2015 the Chinese Navy visited Finland for the first time in its history, this means the journey from one side of the world to the other, only took place in the 21<sup>st</sup> century. In 2013 Chinese warships, for the first time, moved through the La Perouse Straits, which separates the Russian island of Sakhalin and the Japanese northernmost home island of Hokkaido. In 2013 Chinese warships visiting Chile and Argentina passed through the Strait of Magellan for the first time in history. At the same time a Chinese amphibious ship (a 19,000 ton LPD) with marines on board visited Syria. This was the first time a Chinese amphibious ship had visited the Mediterranean in its history.

In the political realm, Chinese ambitions have been largely restricted to its own region, where it is a power. The confidence and sometimes aggression shown in its region has not been replicated further around the world, in fact in much of the world China has restricted matters to economics and shown little political power. China has not presented any political plans or solutions to international issues and this remains probably one of its weakest areas. As China views power as economic, this may explain its lack of political presence, but this cannot be reverse engineered like much of its economy and military. As China believes its culture is not universal, it lacks values to promote to the world, unlike the US and much of the West that use democracy, liberal values and the free market as the basis for engaging with the world.

Due to China's human capital its potential on the world stage cannot be ruled out. It has a sphere of influence and is able to buy off interests in countries across the world. It is able to resist and withstand pressures very well with its seat on the G20 and the UN. With all of this China is comfortable with

being a power amongst many powers in the world and it remains to be seen if it can become a global power and replace the US.

## 9. Keeping Russia Together

Russia is a large, diverse and socially unstable country. Ethnic Russians i.e. the white, Slavic, Orthodox ethnics who accept the Kremlin's political system, make up the bulk of the country's population and have been the ruling class since they broke away from the Mongol and Muslim Tatar empires in the 16th century. Because Russian territory has spanned from the Baltic Sea to the Pacific Ocean, ethnic Russian rulers have power over millions of non-ethnic and non-Orthodox Russians, including Mongol, Turkic, Finnish and Inuit peoples, among others. And this is just inside Russia's current borders, the territory controlled under the Russian Empire and the Soviet Union included large additional regions of non-Russians.

Today, Russia has more than 185 different ethnic groups, 21 national republics and 85 regional subjects that span nine time zones. Every Russian leader - be they Czarist, Soviet or post-Soviet - has struggled to consolidate this disparate population. The Czars divided the people of the Russian Empire into various subjects to try to keep them segregated, but this led to constant uprisings among specific regional subjects against the Czars. The Soviet strategy was to unite all citizens by referring to them as 'Soviets,' creating an identity that would supersede divisions created by ethnicity, religion and political ideology. The 'Soviet' classification tied together people throughout the union - from Tajik villages to Baltic cities to the Caucasus Mountains and at every point in between. The Soviet identity was united in language, literature, institutions, culture and ideology. Overall, it was a tool the Kremlin used to control a large and unwieldy land, and it remained in place for nearly 70 years.

Russia's population is currently divided between urban and rural residents, 185 ethnic groups, four major recognized religions (Orthodoxy, Judaism, Islam and Buddhism) as well as countless other faiths, and a growing number of political affiliations. Cross-border identification has also created divisions among populations found along Russia's shared borders. These differences are set to become a larger proportion of the country's population as the ethnic Russian population is in decline. The disintegration of the Soviet Union in 1990 didn't just have political and economic consequences; it also had massive social consequences. Russians stopped having children due to a decade of horror – termed liberalisation in the West. The crisis raised poverty from 2 million to 60 million, a 3000% increase. UNICEF

noted that this resulted in 500,000 'extra' deaths per year. The Soviet health system crumbled, suicide and AIDS increased leading to deaths outstripping births. Russia's population on the eve of its collapse was 148 million, today it has declined to 141 million. The problem Russia faces is the 20 – 29 year old age category is currently the largest segment of Russia's population, they were born in the 1980s when Russia was still a power. The under 20's are much smaller, born after the dissolution





of the Soviet Union. Russia's population is comprised of numerous ethnic groups, not all of which are happy with centralized Kremlin rule.



Because of Russia's immense size, the Kremlin does not run each region directly, this is why it was set up as a federation. Today's Russia is split into 83 regions of all shapes and sizes, categorized as oblasts, republics, krais, federal cities and autonomous okrugs. Historically, the leaders of the regions (mostly governors but also mayors, heads of regions or republic presidents) have been given the power to tailor the running of their own regions as long as they are loyal to the Kremlin and can ensure stability in their areas. The loyalty of the regions has been tested throughout history. Many regions have attempted to break away from Russian or Kremlin control in Czarist, Soviet and federalist periods. During the 1990s, when Boris Yeltsin's government was in shambles, regional leaders became more important to each region than the Kremlin. Then in 1998, when Russia underwent a devastating financial crisis many regional leaders refused orders from Moscow, leading to the worst regional breakdown in Russia's history.

Control over the regions was one of the first issues that Putin took on when he first came to power in 1999. In 2004, Putin began directly selecting governors under the guise of 'protecting national security.' After changing the relevant legislation, Putin replaced a wave of governors with his own loyalists, even if they were not from the region they were tasked to govern. Imported governors did not sit well with many of the Russian people. At the end of 2011, there were massive anti-government protests across the country, unlike anything Putin's Russia had ever seen. Hundreds of thousands protested a string of issues, including the appointment of governors, electoral policies, Putin's taking a third term as president and the Kremlin's autocratic rule of Russia.



Russia has failed to transform its energy revenues into a self-sustaining economy and as a result it makes it vulnerable to price fluctuations. Despite an economy valued at \$2 trillion, the Russian economy is heavily reliant on energy and its associated services. Oil and gas accounted for 16% of Russia's GDP, half the country's budget and over 70% of total exports. The way Russia is organized revenues flow to Moscow before they are distributed via regional governments, so the strength of the Kremlin determines its ability to support the national infrastructure. The current economic crisis, due the fall in oil prices, precipitated by the US over the struggle for Ukraine has caused different regions to fend for themselves, with some forming informal and formal autonomous entities.

Historically, the Russians solved such problems via the secret police — the KGB. But the secret police will not be able to contain the forces pulling regions away from Moscow. This is because like the 1980's the current version of the KGB, the FSB's power is weakened by the Kremlin's involvement in the national economy. As the economy falters, so does the FSB's strength. Without the FSB inspiring genuine terror, the fragmentation of the Russian Federation will not be preventable.

To Russia's west, Poland, Hungary and Romania will seek to recover regions lost to the Russians at various points. Russia's ability to continue controlling the North Caucasus will evaporate, and Central Asia will destabilize. In the northwest, the Karelian region will seek to rejoin Finland. In the Far East, the maritime regions more closely linked to China, Japan and the United States than to Moscow will move independently.

Russia has a long history of expanding outwards from Moscow. This was not just for expansion purposes, but as Russia has no natural boundaries in the east and the west, it has to do this for strategic purposes. Under the Soviet Union Moscow advanced the furthest, but once again we are seeing similar forces pulling against Moscow, so it remains to be seen if the Russian Federation will survive in its current form.

## **10. The German Juggernaut**

The Global Economic crisis that caused the European debt crisis has led to Germany to throw away its timid demeanour in global affairs and embrace its position on the global scene. Germany, throughout history has been a power and its current trajectory is leading it to assume that position once again.

After playing an unassertive global role since WW2, since the 21<sup>st</sup> century began, Germany has been partaking in a number of regional and global issues, from troops in Afghanistan to Iran's nuclear programme. Germany emerged overnight on the global scene. Prior to German unification in 1871, it was divided into hundreds of competing kingdoms, principalities, dukedoms, bishoprics and free cities since the formation of the Roman Empire. Overrun by France in the Napoleonic wars these chaotic statelets were transformed by Prussia into a unified military power by the iron will of its chancellor, Otto von Bismarck. Germany turned its army on Europe's traditional powers, overrunning Paris and capturing the French emperor. It took a coalition of global proportions to halt German conquest of Europe during WW1 and WW2. Ever since German reunification in 1991 Germany has slowly shrugged of its image of a timid power and is now being much more assertive, globally.

The declaration by German Chancellor Angela Merkel in October 2010 that multiculturalism, or Multikulti, as the Germans put it, “*has failed, utterly,*” and that her government was “*committed to a dominant German culture and opposed to a multicultural one,*” was the first indication since WW2 that German ambitions are changing and are increasingly including a global dimension. Germany has spent the period after WW2 apologizing for its role in WW2, this has resulted in it leaving aside questions of national identity and the German national interest. Germany after WW2 embedded itself into the European Union and NATO and avoided anything that looked like German unilateralism. With the Greek sovereign debt crisis certainties about a united Europe have frayed and Germany for the first time since WW2 has started to look beyond the EU. Germany is the financial and economic guarantor of Europe. When Germany constructs notions of the German nation, historically the national interest was conquering Europe.

But it was the European debt crisis, and Germany’s central role in bailing out EU nations that has led it to throw away its soft image and embark on a more aggressive foreign policy. Which was confirmed by the German defence and foreign ministers in 2014 when they announced Berlin will play a larger global military and political role.<sup>52</sup> Germany is today the world’s third-biggest arms exporter, the German military since WW2 was configured entirely for defence purposes. But Germany is currently in the process of changing this. Germany’s military industry produces armoured vehicles, with submarines and warships. The rapid development and expansion of its military was central to German power in the past.

But Germany is an economic colossus. Germany’s economic driven foreign policy has turned the nation into a trade powerhouse. Germany took full advantage of the fall of the Soviet Union and its companies cornered most of the markets of the former Soviet republics. Germany continues to excel in the production of automobiles, machine tools, and chemicals. German industry continues to be dominated by small to medium sized manufacturing firms, which specialise in niche products. The German president Horst Kohler, was forced to resign for stating the obvious in May 2010, however he encapsulated Germany’s economic driven foreign policy: “*In my estimation, though, we—including [German] society as a whole—are coming to the general understanding that, given this [strong] focus and corresponding dependency on exports, a country of our size needs to be aware that where called for or in an emergency, military deployment, too, is necessary if we are to protect our interests such as ensuring free trade routes or preventing regional instabilities which are also certain to negatively impact our ability to safeguard trade, jobs and income. All of this should be discussed and I think the path we are on is not so bad.*”<sup>53</sup>

Today, Germany is at the centre of the European continent. It is not Brussels, London, Amsterdam or Paris that will determine Europe’s fate, but Berlin. Europe cares about Germany like Asia does about China. Germany is the world’s fourth-largest exporter and at \$3.8 trillion, the world’s 4<sup>th</sup> largest economy.

Germany created a manufacturing colossus that outstrips the German public’s capability to consume. Germany cannot increase domestic consumption as its already consuming at near capacity. Germany overcame this by constructing the European Union and the eurozone and making the whole continent its domestic market. With the single market it institutionalised this. This makes Germany the Centre of its regional trade bloc.

Therefore, economic viability for Germany depends on maintaining exports. No matter how much they import, their exports maintain domestic social order by providing a significant source of jobs right away, rather than in some future scenario. This also means Germany unlike most nations regularly posts trade surpluses rather than deficits.

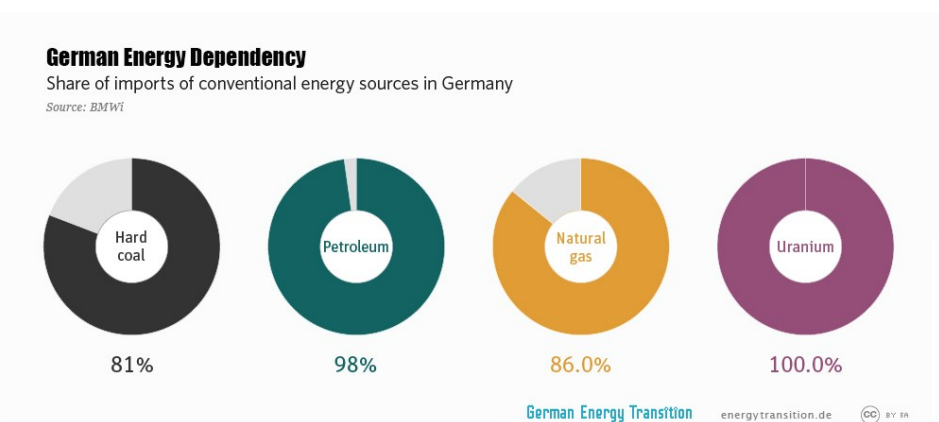
The problem with an export-driven economy is that the exporter is the hostage of its customers. Germany's well-being depends not only on how it manages its economy, but on how its customers manage their own economies. If the customer's economy fails, the customer cannot buy. It doesn't matter whether the problem is a policy failure or a downturn — the exporter will pay a price. Germany is a special case, as the European Union is a trade bloc and a single market, German imports will always be cheaper than any other non-European exporter. This is why Germany will always defend the EU as its fate is directly linked to the union. However Germany does not directly run the EU national economies, but it has used economic crisis on the continent to impose its terms.

When the EU crisis began in 2010 Germany led the solution to the crisis. It used the crisis to introduce controls on the fiscal systems of EU member states as well as restrictions on their national budgets. Germany imposed austerity as the only way to resolve the crisis on the continent and kept out any other potential solutions. This meant European nations would need to cut their budgets and balance their books. Germany has now rewired European structures to its advantage. The German-dominated EU bailout fund operates largely independent of EU authority or scrutiny. The crisis that has engulfed the EU may very well mean the union will not survive in current form which will allow Germany to redesign Europe into something more to its liking.

There are probably two challenges standing in the way of Germany global domination.

Germany's Achilles heel has always been its lack of energy resources. Germany became a power in the past by conquering territories with energy resources and lost both WW1 and WW2 when it was cut-off from energy sources. Today Germany imports 100% of its oil and 90% of its natural gas, mainly from Russia,<sup>54</sup> and the phasing out by 2022 of nuclear power after the Fukushima nuclear reactor disaster will only

make this problem more acute.<sup>55</sup> In 2010 Berlin announced a new energy strategy to 2050,<sup>56</sup> it mainly consisted of a shift to renewable energy. Renewable energy depends on geography and nature, the sheer size of



Germany and its large industrial requirement, dispersed across the country will require transportation from energy sources to where it will be used. Going forward Germany's dependency on energy imports will not be reduced by a shift to renewable energy and a regular secure supply of energy is crucial for any aspiring power.

Germany's other big challenge is its shrinking and aging population. This will affect the size of its labour force and the size of its military and fundamentally in its ability to be a world power. By 2060 Germany's population is expected to shrink from the current 81 million to 65 million and its current labour force of 50 million is expected to drop to 33 million.<sup>57</sup> Half of Germany's population will be of retiring age by 2060! Japan has become the world's largest indebted nation due to having a sizeable population over the age of retirement.<sup>58</sup> Having a sizeable population and labour force has been central to becoming a global power, whether it was through slavery or conquest (as has been the case in Germany's history) this trend does not bode well for Germany. Germany will need to find a solution to this if it wants to be a global power.



## 11. Little Britain

On the current trajectory it looks like the sun really will set on the British Empire well before the century is out. Great Britain is quickly moving to becoming little Britain. Britain was the first nation in the world to industrialise in the 18<sup>th</sup> century. In the 14<sup>th</sup> and 15<sup>th</sup> century Britain was a backward nation and until the 17<sup>th</sup> century imported most of its technology from continental Europe. England in the 16<sup>th</sup> century was a poor country, lacking the wealth of Portugal and Spain and so unlike the Spaniards and Portuguese, the English were neither missionaries nor colonists. The English were predominantly farmers and engaged in fishing. Due to the small nature of the English isles England was forced to make alliances and partnerships.

The basis of the British superiority was founded in the age of mercantilism; Britain went out in search of colonies, so they could provide the raw materials and markets for manufactured products. These colonial markets helped stimulate the textile and iron industries, which were probably the two most important industries during the Industrial Revolution. The British Empire first took shape in the early 17<sup>th</sup> century, with the English settlement of the eastern colonies of North America, which would later

become the original United States of America. Later India and parts of the Far East were added to the Empire, making Britain the world's superpower.

Despite the loss of 13 of Britain's North American colonies, the final defeat in Europe of Napoleonic France in 1815 left Britain the most successful international power. While the Industrial Revolution at home gave her an unrivalled economic leadership, the Royal Navy dominated the seas. The distraction of rival powers by European matters enabled Britain to pursue a phase of expansion of her economic and political influence through trade and strategic pre-eminence. With the use of industrial promotion strategies Britain when it reached its pinnacle in 1800 was navigating the seas in search of riches around the globe. This programme of aggressive colonisation entrenched Britain's position in the world and changed battles from being fought for territories to offshore markets. It was this colonial war machine that drove a large chunk of Britain's scientific research, innovation, new ways of organising labour and military strategy. The liberal values which are trumpeted as the source of Britain's development arrived after achieving global domination.

World War Two consumed Britain to such an extent that it brought an end to the British Empire and its international standing. This was because Britain was virtually bankrupt from WW1. Its army was overstretched and Britain was not in a position to enter another war. This is why in the post war era, British global aims have been restricted by its economic reality. For this reason Britain worked and continues to have a role in the world by partaking in global issues, however it is unable to completely shift the global balance of power. Fareed Zakaria, the Newsweek international columnist in his book 'The Post American World,' encapsulated British policy: *"The photographs of Roosevelt, Stalin and Churchill at the Yalta Conference in February 1945 are somewhat misleading. There was no 'big three' at Yalta. There was a 'big two' plus one brilliant political entrepreneur who was able to keep himself and his country in the game, so that Britain maintained many elements of great powerdom well into the late 20th century."*<sup>59</sup>

An analysis of British economic, military and political capability shows it has done well to stay in the game, but its days are numbered.

Whilst Britain has a £1.5 trillion economy, the 6<sup>th</sup> largest in the world Britain lacks the industrial base to pose any challenge to the global powers. Britain has global aims and has mastered the art of political manoeuvring; however it punches above its weight.

After WW2 Britain saw its colonies slip away one by one. Britain like much of Europe was dependent on US food and economic aid. A starving, indebted Britain, took cold comfort in the welfare state promises made by the government, but without assured raw-materials sources and protected markets, (especially India), British exports nosedived. The British economy collapsed in the next few decades. British Coal, Railways, Steel, automobile industry and ship-building went into a terminal decline – never to recover. Throughout the 1960's and 1970's Britain fell behind emerging nations such as West Germany and Japan and just couldn't compete with their industrial ascent. During the 1980's what little remained of Britain's industry was privatised and this sealed the fate of British industry. Under Margaret Thatcher, during the 1980's, the economic base of the country shifted to services, to be eventually dominated by finance.

Britain is today dominated by London, which currently generates 22% of the UK's economic wealth with just 13% of the population. In the services trade, financial and business services make up 55%. The UK's goods trade is so depleted, the entire country now relies on the sector as its source of foreign capital. Britain's economy is weak from an international standpoint. Today British industry has around 3 million people with food processing the largest industry. Britain's economy sums up Britain's challenge, its economy is unable to support the aims the UK has for global domination, and as a result London has played a weakening hand in international affairs.

Whilst Britain's military played a central role in propelling the Empire around the world. Britain's economic and political decline after WW2 was reflected by the military's declining global role. Its protracted decline was dramatically epitomised by its political defeat during the Suez Canal crisis in 1956. Unable to fund the empire and politically no longer able to influence the global situation conscription was abolished and the size of the Armed Forces was reduced from 690,000 at the end of WW2 to less than 100,000 today. Britain looked for a military posture that would be an inexpensive alternative to maintaining a large conventional military. Every defence review of the British military since WW2 called for personnel cuts as the UK economy could not fund the military.

On paper, the UK armed forces are too small to project power globally on its own. Britain has a total of 143,580 full time active duty personnel spread out, over 81,940 in the army, 29,890 in the Navy and 31,760 in the air force. Only 20% of ground forces physically wage war, with the remainder doing logistics, maintenance and repair and reconnaissance. In reality Britain's ground forces, the key to waging war, is anywhere between 15,000-20,000 troops! Today Iran's militia

#### UK service personnel

Total strength (regulars) as of 1 April each year, thousands



and unconventional forces are larger than Britain's conventional forces. The royal navy that ruled the oceans for so long, did so with over 200 ships. But this has now reduced to a feeble 19 warships, with a new aircraft carrier under construction, if it is ever completed. Britain today has more admirals – 40, than it has warships.<sup>60</sup>

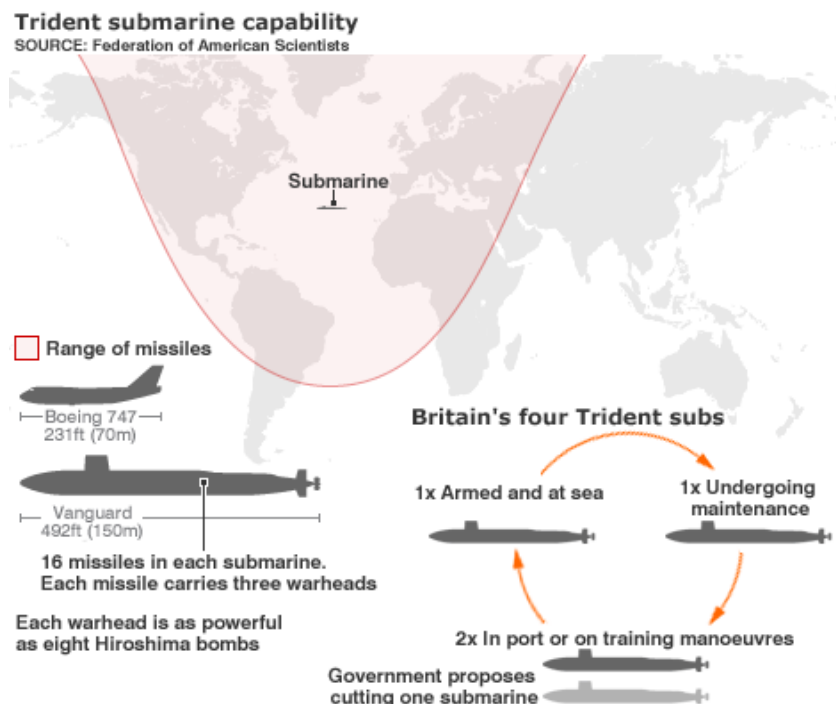
Britain's military industry is dominated by BAE Systems, who manufactures civil and defence aerospace, land and marine equipment, which include the Type 45 destroyer, aircraft carriers, the Eurofighter Typhoon and maintains Tornado and Harrier jets. Only the Type 45 destroyer is built entirely by British engineers, all other heavy military equipment is either imported from overseas or developed with partners. Very little military systems is indigenously constructed by Britain today.

Britain's military decline can be clearly seen with its struggle to fund its nuclear weapons. By the late 1990s, Britain had phased out all of its air-delivered and land-based nuclear-weapon systems as it

could not afford them. This led to a substantial reduction in the total number of deployed nuclear weapons.

Today, four Vanguard class ballistic missile submarines (SLBM) armed with Trident II missiles, all products of the cold war era provide the sole platforms for the nuclear weapons of the UK. Constructed from 1986-1999, each are armed with up to sixteen Trident D-5 ballistic missiles. Whilst the UK built the submarines and nuclear warheads, the missiles were purchased from the US under the terms of a sales agreement that dates back a half-century. With four submarines in service, at least one can always be under way and on patrol. But,

Britain has never had an independent nuclear deterrent. In 1958, the US-UK Mutual Defence Agreement (MDA) allowed the US to provide the UK with nuclear weapons designs, nuclear weapons, manufacturing and nuclear reactor technology, designs and materials. It was the US that supplied the missiles and associated strategic weapon systems equipment, a number of warhead-related components and services and missile preparation and refurbishment services. A secret British government assessment of 'The Dangers of Becoming an American Satellite' released after 1988 stated *"The UK, in its relatively weak position, is already greatly dependent upon United States support. It would be surprising if the United States did not exact a price for the support, and to some extent it does so...the more we rely upon them, the more we shall be hurt if they withhold it."*<sup>61</sup> Britain completely relies on a small Submarine fleet, just barely large enough to sustain a continually patrolling presence of one boat. It is only maintaining the nuclear weapons as a sign and symbol of power, despite the fact it cannot afford it.



Britain's economic and military decline has impacted its political influence around the world. British foreign policy today is built upon having a role in Europe and influencing the US. British policy makers have accepted the nation's weakness after WW2 and developed a policy of preservation rather than outright competition with the US. Britain has managed to achieve its interests through a policy of preserving its global ambitions by working with the US and the EU, whilst at the same time working to divert, alter, complicate and limit the aims of both. Due to the economic reality of Britain, it has no propensity to achieve anything more. Britain can complicate the plans of other world powers to the extent that it is taken seriously in the world. Britain's influence remains in North Africa and the Gulf, but all of this is due to historical links rather than economic or political strength. Britain is purely looking to maintain rather than expand its place in the world, a far cry from the days when the sun never set on the empire.



## 12. War, Space and Speed

Over the last few decades war has shifted from confined spaces with lots of troops and equipment, such as the tank battles in the Sinai in 1973. This has shifted to vast spaces that include cities and deserts with small numbers of combatants hidden inside them. Whilst killing the enemy was easy, finding him is what was difficult. The ability to locate him is what constitutes the real weapon of war. In the wars of the past, which were largely industrial wars it was just a matter of killing the enemy at its centre of gravity. In the 21<sup>st</sup> century there will still be state-to-state warfare. But for the past few decades what is defined as unconventional war or guerrilla war means a vast battle space with small numbers of combatants hiding inside that space.

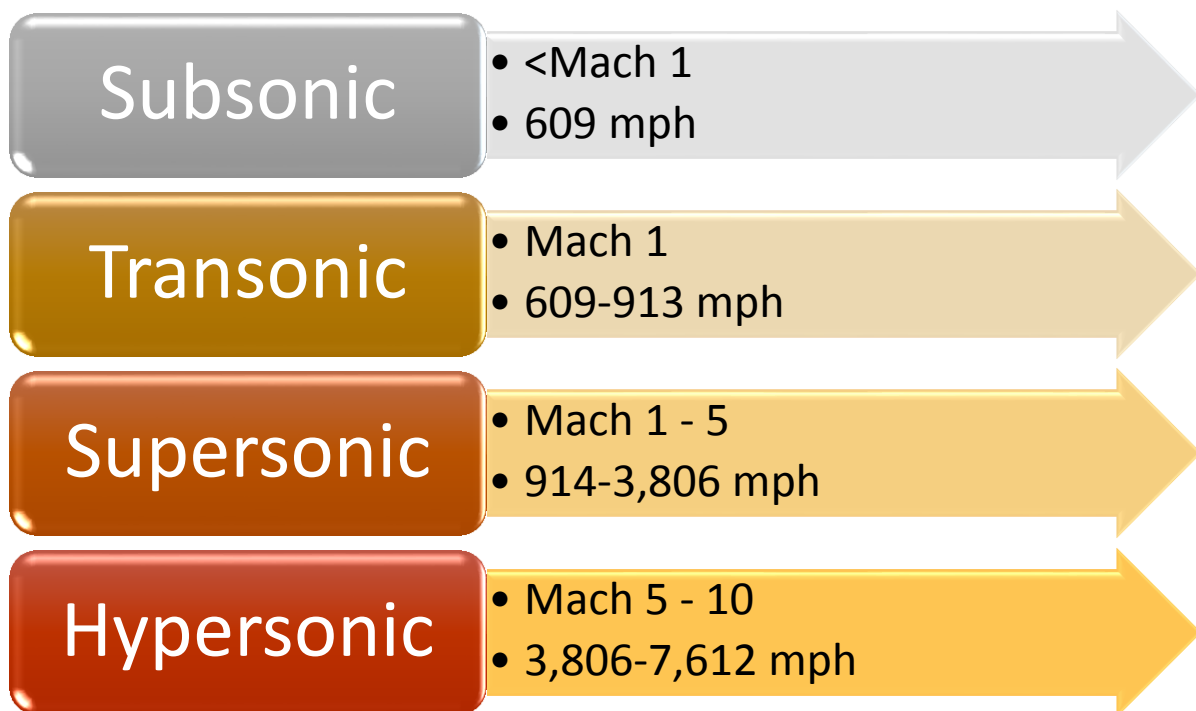
Precision guided weapons at the end of the 20<sup>th</sup> century and early 21<sup>st</sup> century are the weapons of choice. They were introduced in the 1970's by the US when they destroyed a critical bridge in Vietnam, which they had failed to do for years. Prior to this it took thousands of bombs to take out a target. This required hundreds of planes, large numbers of crews, steel factories, aluminium factories which all acted as supply lines. The industrial nature of war grew due to the imprecision of weapons. In WW1 it took 10,000 rounds of ammunition to kill one man as a result a large numbers of weapons were needed. With the introduction of precision-guided munitions a plane with one piece of munition (e.g. missile) would be able to destroy the enemy. Today one aircraft has the same lethality as hundreds in the past. Today a precision-guided munition, guided by satellites, no longer requires huge ordnance to do damage. A single drone firing a medium or small-size missile can do the same amount of damage as decades ago would take a whole wing of an air force to drop. In WW2 thousand-bomber raids that killed tens of thousands of people, took place just to destroy one factory. Such a target today can be attacked by a single drone.

The 1991 war between the US and Iraq precipitated a major rethink in military doctrine. Especially amongst those that relied upon the Soviet doctrine which emphasised an extremely large number of ground forces who were generally poorly equipped, as guarantors against possible invasion by external powers. What became clear from the annihilation of the Iraqi army, which was similarly equipped and followed a similar doctrine to the Soviet military was that modern precision weapons could quickly obliterate soviet era equipment, and that the standoff afforded by these systems ensured minimal casualties to the military force using them.

The Revolution in Military Affairs (RMA), which continues today, has transformed warfare. This war theory proposed the use of revolutionary technology over personnel numbers. Large mechanised formations are easily neutralised by helicopters and fixed wing aircraft equipped with precision anti-tank guided munitions (ATGM). Furthermore situational awareness from C4i systems (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) has a force multiplier effect, which allows relatively small armies to defeat much larger less sophisticated armies. C4i refers to the ability of military commanders to utilize cyberspace, computers and modern communications technology to direct forces in real time in a battle zone.

The key to warfare in the 21<sup>st</sup> first century will remain precision. The more precise weapons are, the fewer have to be fired. That means fewer soldiers and fewer defence workers, but more scientists and technicians. Therefore the key trend for the remainder of the century is possessing a weapon that that

can reach the other side of the world, extremely quickly, manoeuvre with incredible agility to avoid surface-to-air missiles, strike with absolute precision, and return to carry out another mission. The 21<sup>st</sup> century is very likely to be the century of hypersonic weapons. In fact the arms race in hypersonic aircraft and missiles has already begun. To qualify as “hypersonic,” an object would have to move at least five times the speed of sound (Mach 5 – 3,806 mph), as well as be able to evade counter-fire and strike with great precision. To date, no country has achieved this performance but the US, China and Russia are all aggressively developing hypersonic weapons.



For most operational needs today, subsonic missile speed i.e. up to the speed of sound is generally considered sufficient. Yet it has proven critically insufficient at key historical moments. Many strategists remember in 1998 when US President Bill Clinton tried (and failed) to take out Osama bin Laden by launching Tomahawk cruise missiles from the Arabian Sea, targeting an Al-Qaeda training camp in eastern Afghanistan. Travelling at a speed of approximately 550 mph, the Tomahawks needed two hours to reach their target, by which time bin Laden had already been gone for an hour. This example has often been cited as an illustrator of the urgency to develop faster systems, able to strike with greater speeds. Hypersonic missiles could overcome the constraints of time, distance, and advanced early warning systems. In a scenario where a missile would have to travel a distance of 1,000 kilometers to reach its target, a subsonic system (at 767 mph) would need 75 minutes, whereas a supersonic system (Mach 2.8) would need 17 minutes and a hypersonic one (flying at Mach 6) just 9 minutes

The challenge with such weapons is getting them to speeds well in excess of the speed of sound and making sure they do not break up with the air friction and intense heat. The propulsion system is central in getting an object to its destination. Current missiles utilize turbojet and turbofan propulsion, but these do not work at speeds above the speed of sound (Mach 1). Conversely, the higher-speed motors don't work at lower speeds. Ramjets and scramjets work best at higher supersonic and hypersonic speeds, but they do not work at slow speeds. Ramjet and scramjet engines are simpler in

design and lack rotating components and therefore do not have major moving parts such as spinning blades. Such weapons will also need new materials that can withstand extremely high temperatures caused by friction with the air.

Building enough hypersonic missiles to devastate a potential enemy would be extremely expensive. But the savings would outweigh the costs with a reduced armed forces structure. It would also reduce the need for huge stockpiles of petroleum to fuel tanks, planes, and ships. This would mean the armies of the 21<sup>st</sup> century can be much smaller and more professional than previous forces, and highly technological. It will not be necessary to devastate entire cities to destroy one building.

Speed, range, and accuracy, and many unmanned aircraft, will substitute for the massed forces that are currently required to deliver explosives to the battlefield.

### **Space, the final frontier**

Space represents the fourth frontier after land, sea and air and for over half a century epitomized an important arena for dominance and superiority. Regardless of the changes taking place in warfare, one thing remains unchanged: the commander on a battlefield must have knowledge of that battlefield. Even though the global battlefield may be radically different from the traditional battlefield, the principle of the commander's knowledge remains in place. On a global battlefield, command and control must be tied together with knowledge of what the enemy is doing and how your own forces are deployed. The only way to achieve this on a global battlefield, in real time, is from space. An essential principle of warfare has always been to hold the high ground, on the theory that it provides visibility. The high ground permits visibility, and here the high ground is space—the area in which platforms can see the battlefield on a continuous basis.

Space is already filled with satellites designed to provide a large number of countries intelligence on what is happening around the world. For some, particularly the US, space based sensors allow them to operate on a global basis, identifying tactical targets and calling in air strikes or cruise missiles. Space provides line of sight and secure communications. It also provides clear tracking of hostile objects. Battle management will therefore move from earth to space as well. There will be space stations—command platforms—at various distances out from the earth's surface, tasked with commanding robotic and manned systems on land and at sea as they evade enemy attack, conduct operations, and attack enemy platforms.

Blinding one's enemy, then, would mean destroying the space based systems that allow the enemy to select targets. In addition, there are navigational systems, communications systems, and other space based systems that must be destroyed if an enemy's capability to wage war is to be crippled. Therefore, the destruction of enemy satellites will become an essential goal of 21<sup>st</sup> century warfare. This is why defending one's own satellites will be critical.

The trends for space are also to place weapons outside the Earth's atmosphere. Successive governments since US Ronald Reagan have long made it clear the US wishes to expand its military capabilities and have weapons in space and therefore also be dominant in this fourth military arena. In April 2005, Gen. James E. Cartwright, who led the United States Strategic Command, told the

Senate Armed Services nuclear forces subcommittee that the goal of developing space weaponry was to allow the nation to deliver an attack “*very quickly, with very short time lines on the planning and delivery, any place on the face of the earth.*” The US has taken such a hard-line stance due to threats it perceives from adversaries, this has resulted in the US voting against a number of treaties, which propose the banning of weapons in space. This was confirmed in the national space policy of October 2006 which states ‘*The United States will oppose the development of new legal regimes or other restrictions that seek to prohibit or limit U.S. access to or use of space. Proposed arms control agreements or restrictions must not impair the rights of the United States to conduct research, development, testing, and operations or other activities in space for U.S. national interests.*’<sup>62</sup> The US has continued the development of technology which would allow it to place weapons in space. In 2004, the US Air Force issued a document called ‘Transformation Flight Plan’ which envisaged a whole array of space weapons both offensive and defensive. They would include anti-satellite systems and even things called “hypervelocity rod bundles” that could be hurled down on a target from space.<sup>63</sup>

### 13. Disruptive Technologies

The development and innovation of civilian technology usually have some origins in the military sphere. In the previous trend for the 21<sup>st</sup> century two key military areas were analysed. The semiconductor microchip, the internet and railways transformed, revolutionized and disrupted existing business structures, markets and society when they were invented. Some technologies make their inventors a lot of money, but others disrupt the status quo, alter the way people live and work, rearrange value pools, and lead to entirely new products and services. Without delving into science fiction territory, the following technologies will play a central role in the 21<sup>st</sup> century.

**Next-generation nuclear (fission) reactors – (Generation 4 reactors)** - These are a set of nuclear reactor designs currently being researched for commercial applications. Presently the majority of reactors in operation around the world are considered second generation reactor systems, as the vast majority of the first-generation systems were retired some time ago, and there are only a dozen or so Generation III reactors in operation. Generation V reactors refer to reactors that are purely theoretical and are therefore not yet considered feasible in the short term, resulting in limited R&D.

Early prototype reactors were Generation I. The large central station nuclear power plants of today are Generation II, the advanced lightwater reactors and other systems with inherent safety features that have been designed in recent years are Generation III and the next-generation systems to be designed and built two decades from now are Generation IV. Generation four reactors are mainly thermal reactors and fast reactors. The fast reactors offer the possibility of burning actinides to further reduce waste and can breed more fuel than they consume. These systems offer significant advances in sustainability, safety and reliability, economics, proliferation resistance and physical protection.

**Nuclear Fusion** - Only nuclear fission has currently been mastered i.e. harnessing the energy inside an atom through splitting the heaviest elements. Nuclear fusion on the other hand is the same process at play in the Sun: by combining abundant, light elements into heavier ones (like hydrogen into helium), more energy can be released than with nuclear fission, about three-to-ten times as much on average. In addition, the resources are incredibly common, as these light elements are among the most common on Earth, in our atmosphere and in the Universe in general. There’s no radioactivity to speak

of, and the environmental risks are zero. Currently research is continuing on how to reach the breakeven energy point in nuclear fusion — where we get out as much energy as we put in — without instigating the runaway explosion of a hydrogen bomb. But at some point in the 21<sup>st</sup> century this point should be reached.

**Advanced water purification, Nanotechnology filtration** - 1.6 million people die each year from diarrhoeal diseases attributable to lack of safe drinking water as well as basic sanitation. Researchers in India have come up with a solution to this perennial problem with a water purification system using nanotechnology. The technology removes microbes, bacteria and other matter from water using composite nanoparticles, which emit silver ions that destroy contaminants.

**Quantum computing** – Computers based on the principles of quantum mechanics, stand to exponentially increase computing power within the next two decades. Using a quantum computer to solve a problem can loosely be thought of as trying all possible solutions at once, whereas using a classical solution would mean trying them in sequential order. The expansion in computing power gained by incorporating quantum mechanics principles into computing could prove to be as revolutionary to computer science as research in physics and electromagnetism has proved to modern electronics. Quantum computing represents a potentially transformative alternative to digital computers. Though quantum computers will have a broad impact on society, the most obvious areas that stand to benefit are the ones that supercomputers dominate today: cryptography, research and military applications. The most well-known capability quantum computers could unlock would be the use of what is known as Shor's algorithm, something classical computers cannot do and a tool of significant interest to the National Security Agency, CIA and the Chinese government.

**The Internet of Things** – This is the embedding sensors and actuators in machines and other physical objects to bring them into the connected world. Whether the Internet of Things is used for consumer, industrial or other applications, at its heart it simply involves connecting devices to one another so they can communicate and become more efficient and effective. The Internet of Things and many of the different technologies it brings together and uses are not entirely new; the idea of the Internet of Things has existed for almost 20 years, but only now has the software and hardware developed enough for people to think about applying a wide range of its functions to the manufacturing process and industry. In applying the Internet of Things toward industrial applications and supply chains, a number of associated technologies will affect industry in specific ways. Although each of them can be implemented individually, such as autonomous vehicles, smart grids and automation, the Internet of Things is the glue that will bind them together, allowing seamless communication and analytics.

**Advanced robotics** - For the past several decades, industrial robots have taken on physically difficult, dangerous, or dirty jobs, such as welding and spray painting. These robots have been expensive, bulky, and inflexible—bolted to the floor and fenced off to protect workers. Now, more advanced robots are gaining enhanced senses, dexterity, and intelligence, thanks to accelerating advancements in machine vision, artificial intelligence, machine-to-machine communication, sensors, and actuators. These robots can be easier for workers to program and interact with. They can be more compact and adaptable, making it possible to deploy them safely alongside workers. These advances could make it practical to substitute robots for human labor in more manufacturing tasks, as well as in a growing number of service jobs, such as cleaning and maintenance. This technology could also enable new

types of surgical robots, robotic prosthetics, and “exoskeleton” braces that can help people with limited mobility to function more normally, helping to improve and extend lives.

**Autonomous vehicles** - It is now possible to create cars, trucks, aircraft, and boats that are completely or partly autonomous. From drone aircraft on the battlefield to Google’s self-driving car, the technologies of machine vision, artificial intelligence, sensors, and actuators that make these machines possible is rapidly improving. Over the coming decade, low-cost, commercially available drones and submersibles could be used for a range of applications. Autonomous cars and trucks could enable a revolution in ground transportation, regulations and public acceptance permitting. Short of that, there is also substantial value in systems that assist drivers in steering, braking, and collision avoidance. The potential benefits of autonomous cars and trucks include increased safety, reduced CO<sup>2</sup> emissions, more leisure or work time for motorists (with hands-off driving), and increased productivity in the trucking industry.

**3D printing** – Since some of the first generation patents ended on 3D printing technology in 2007, the performance of additive manufacturing machinery has improved significantly, the range of materials is expanding, and prices (for both printers and materials) are declining rapidly, bringing 3D printing to a point where it could see rapid adoption by consumers and even for more manufacturing uses. With 3D printing, an idea can go directly from a 3D design file to a finished part or product, potentially skipping many traditional manufacturing steps. Importantly, 3D printing enables on-demand production, which has interesting implications for supply chains and for stocking spare parts, a major cost for manufacturers. 3D printing can also reduce the amount of material wasted in manufacturing and create objects that are difficult or impossible to produce with traditional techniques. Scientists have even “bioprinted” organs, using an inkjet printing technique to layer human stem cells along with supporting scaffolding.

**Advanced materials** - Over the past few decades, scientists have discovered ways to produce materials with incredible attributes, smart materials that are self-healing or self-cleaning; memory metals that can revert to their original shapes; piezoelectric ceramics and crystals that turn pressure into energy; and nanomaterials. Nanomaterials in particular stand out in terms of their high rate of improvement, broad potential applicability, and long-term potential to drive massive economic impact. At nanoscale (less than 100 nanometers), ordinary substances take on new properties, greater reactivity, unusual electrical properties, enormous strength per unit of weight that can enable new types of medicine, super-slick coatings, stronger composites, and other improvements. Advanced nanomaterials such as graphene and carbon nanotubes could drive particularly significant impact. For example, graphene and carbon nanotubes could help create new types of displays and super-efficient batteries and solar cells. Also pharmaceutical companies are already progressing in research to use nanoparticles for targeted drug treatments for diseases such as cancer.



# Conclusions

At the end of 2015 the US remains the world superpower and maintains a balance around the world which protects America's array of strategic interests. In 2016 and beyond the US faces significant challenges in places such as Syria and Iraq and Afghanistan are far from stable. The US has successfully used ISIS in both Iraq and Syria to push the rebel groups into a corner which has given the regime of Bashar al-Assad more time to deal with the uprising.

America's main competitors – China and Russia faced significant issues and challenges domestically in 2015. Whilst Russia was able to freeze the conflict in Ukraine this has cost it dearly from an economic perspective and unless it can overcome this, Russia's position at the end of 2016 may be very different to where it is now. China continues to work on transforming its economy – a colossal task but its political vision remains largely regional and economic currently. The two nations that compete with the US in 2015 were unable to pose a significant challenge on US prowess in 2016.

Syria continues to draw in the world and regional powers. In 2016 the uprising will reach its 5 year anniversary, something no one expected. The US has failed with its regional and global partners to develop an alternative moderate faction that will maintain the status quo. All of this continues with the al-Assad regime bleeding to death, despite receiving significant external help.

The global economic crisis – now in its eighth year continues to hurt many nations. In Europe, austerity continues to hurt most nations and as spending continues to fall, European nations are caught in a downward spiral. Germany continues to hold the whole of Europe to ransom in order to maintain its position as the continent's premier nation. In the US once again the economy was in recession in early 2015, but sustainable growth remains as elusive as ever.

At the end of 2015, the US remains the world's superpower. It has managed to navigate the myriad of challenges to maintain this dominant position. Whilst challenges remain in places such as Syria, the US continues to develop strategies and plans and adjusts them based on their success or failure.

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